P-62=F

App. F. IX-4

1934-1

File No. 13-30

Serial Nos. 1-12

*Previous References*

J. D. 15-26 (5-8, 9-11, 14-21 J. D.)

J. D. 32-26 (1-6) +23)

*Later References*

J. S 36-34 (1-4, 6, 11-13)

P 1 C. --

# General and Revenue Secretariat.

---

*Serial Nos.* Twelve.

**Part B for** 1926.

---

SUBJECT.

Affairs of the Mysore Agricultural Dairy Farm and Co Ltd

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For final orders Vide J. D. 15-26-23 on the subject

Serial No.

From the Registrar of Joint Stock [redacted] in Mysore. Letter No C. 344/30-31 dated 12-12-1930

Forwards the balance [redacted] of Mysore Agricultural Dairy Farm Co. Ltd. Bangalore as on 31-3-1929 together with the Auditor's Report thereon and requests in the circumstances explained [redacted] of Govt for the appointment of 2 Inspectors - a Police Officer and an Auditor - to investigate the affairs of the Company from 9.7.1928 up to date. The cost of the investigation being refunded by the Company.

Submd for orders.

1) A copy of the Company's Regulation and the audit Report given [illegible] late retired Asst Comptroller.

2) The prospects of the Regn may be examined. He may be requested to name the Auditor to be appointed. The R.S.P. Bangalore city may be the auditor suggested

Regd) 18/12/30

3) Third member

Regd) 19/12

4) Hd Asst

19/12

5) I submit there is no further report in the matter. Please put up

Regd) 23/12

6) Submitted

[redacted]

7) Issue orders as above

Regd) 28/12

OFFICE OF THE THIRD MEMBER COUNCIL 19 DEC. 1930 No 2965

Letter No C 344/30-31 dated 20/12/30 from the Regr. J.S. reporting that Mr A. Ranganatha Shetty Advocate Mysore was appointed liquidator



GPB—50,000—8-7-37

8086 (345

J. File No. 3 of 1930 | General and Revenue Secretariat

A. Draft letter to the Registrar of Inbi for approval. (Refer Para 7 above)

HD 181
24/12/30

I Issue 24/12/30

To the Registrar of Joint Stock Companies
No. D6577 dt 24.12.30.

Request him to suggest the name of the auditor to be appointed as Inspector for the purpose of investigation.

GEN. & REV. SECRETARIAT. 25 DEC 1930 DEVELOPMENT BRANCH.

Ref. to the Regr. of J.S. Cos. No. C. 344/30-31 dt 6.1.31 states that the Comptroller who was consulted has suggested the name of Mr. M.K. Sampath Iyengar B.A one of the 1st Grade Supdts of his office on a pay of Rs 225/— for being appointed as such Inspector.

Subd. with refce. to para 2 supra Mr. Sampath Iyengar a the A.C.S. Bangalore city, may be appointed as Inspector to investigate the affairs of the company

OFFICE OF THE THIRD MEMBER & COUNCIL 9 JAN. 1931 No. 345

Gen. Secy 8/1

III Member 9.1.31 9/1

MP

13/1/31 13/1

General and Revenue Secretariat | J.S File No. 1-3 of 193 a

Serial No.

G.O
Draft submitted. It is for Resident which the appointment has also to be published as a notification.
13/1/31
Not necessary perhaps
Gen. dept
ca 14/1

Is there no precedent? Refer the file can other kind?
Ref 14/1

Draft G.O. appd
RB 14/1/31
Issue ce 14/1

submitted. It will be seen from the third linked file below that no notification was issued when the late Mr. Subbaraya was appointed (G.O.Ms. Dev.-Secy. Flags. 5 of 3.9.27)
RB 16/1/31
ce 16/1

Gen.-dept

5. To the Regr. of J.S. Cos., the Comptroller and the Dy. of Police.
No 7341-3 16.1.31

Sanctions the appointment of Mr. M. K. Sampath Iyengar of the A.S.P. Bangalore as Inspector to investigate the affairs of the Company—

That settles it No notice is req
RB 20/1/31.
ce 20/1

Subject The Regr J.S. has not submitted any report regarding the result of the investigation conducted by the Inspectors referred to in G.O.S. into the affairs of the Agricultural Diary Farm Company Ltd. It is for orders whether a report should be called

Gen & Rev. Secy. 20/1 JAN. 1931 GENERAL & REVENUE DEPARTMENT BRANCH.

NOTE—Contn. Sheet

Yes ca 21/1

Earl 16/1/31

W.D. 2651—G.D.B.—50,000—6-7-30

5345

File No. 13 of 1930 | General and Revenue Secretariat

Subd with draft
Issued 24/4
21/4

To the Regr of J S. Cos 6
No D 984 3 dy 27.4.1931.
Calls for the report of the
results of the investigation

GEN. & REV. SECRETARIAT
30 APR 1931
DEVELOPMENT BRANCH
8/4

No C 344 dy 30.7.31 from the Regr Jo 7
Reports that the Inspectors will be instructed
to examine the books of the Company as soon as
they become available.
Subd The Registers are said to be before the
City Magistrate Mysore — No further action
seems necessary at present
Put up
3.8 Keys) 6/8 7, 8

Reply that his further report
is awaited -

8-8-31
6/8

TYPING SECTION
12 AUG. 1931

Subd with draft
Issued
8/12/8/31

Issued No D 956 dy 18/8/31

Sec A
dy
14/8.

General and Revenue Secretariat

File No. /3 of 1930.

Serial No. 8.

From the Regr of J.S. Cos
Roc: C 344/30-31 of 24.9.1931

States that the Dy. P of the Corpn. have been requested to instruct their officers to examine the books of the Coy. in the City Magistrate's Court, Mysore & that the liquidator has also been requested to send someone to inspect the present during the time of examination & furnish a further reply on receipt of a Communication from the Madras High Court

Subd. for perusal. The further Communication promised will be awaited.

mm 26/9

26.9.31.

Sec'y 26/9/31

GEN. & REV. SECRETARIAT. 28 SEP 1931 DEVELOPMENT BRANCH.

Secs A mm 26/9.

9

From the Regr of J.S. Cos
No C 344/30-31 of 13.11.31

States that the High Court of Madras has replied that it has no power to instruct the liquidator & make the books of the Company available at Bangalore & that he has requested the liquidator to inform him of the progress of the winding up proceedings & whether he could arrange to send the books to Bangalore. Also requests that the Govt. of India [illegible]

NOTE—Contn. Sheet.

G P B—50,000—8 7 30

2175 p 31

b

J.S File No. 13 of 1930 | General and Revenue Secretariat

to declare the offences under the Mysore Companies Regulation as extraditable

Subd. for perusal. No action appears to be possible unless the result of the Reg's communication to the Liquidator is known.

The Regr has pointed out that no action can be taken against officers of foreign companies residing outside the State in the absence of a declaration by the Govt. of India that offences under the Mysore Companies Regulation are extraditable. Whether the Govt. of India can be moved to declare this is for consideration & orders

As recommended by the Regr.

MD 27/11 May the file be transferred to the Protection Branch

KP 17.11.31

May be transferred

I think. 18/11

D. Leiros) 18/11/31

Yes after perusal of the P.L.D by the member.

OFFICE OF THE SECOND MEMBER OF COUNCIL
19 NOV. 931
No. 3566

2nd member) MK 18/11

19/11

JP 21ff/11 M 23/11 L 20/11

Ex bricks with his returns
SG
14/12

Secy C
M
15/12/31

Serial No. 11

246 / Law

From the Registrar of J.S.

No C 344/30-31 dt 11.3.32

States that the Liquidator of the Mysore Agrl. Dairy Farm Ltd. reported that as the voluntary winding up has not continued for a period 12 months Sec. 244 of the Regn does not apply, but that his own view is that the Section is applicable & suggests to ~~him~~ be informed if his view is correct.

The Law Secretariat may be asked to furnish opinion in this matter

MJ 1413.

14/3/32

For favour of opinion

JS 14/3/32

(Asst Secy Law Dept Will comply)

Since the Mysore Agricultural Dairy Farm Ltd, is a Company registered under the Mysore Companies Regn, its winding up under Sec 271 of the Indian Companies Act in Madras, cannot conclude the voluntary winding up commenced in Mysore for the purposes of Sec 244 of the Mysore Regn, the Registrar can contend that the voluntary winding up is still pending and that the liquidator is consequently liable to furnish the information prescribed. Since in this case the liquidator is outside the State's jurisdiction, it is doubtful how far the liability can be enforced.

NOTE—Contn. Sheet.

Agl. Dairy Farm Co Ltd
p13 - 24

File No. 13 of 1936. | General and Revenue Secretariat

246
Land

The difficulty may not however arise as the liquidator in Madras in asking for the views of the Regr as to the interpretation of sec 246 appears willing to comply with its provisions -

Asst Secy, Dev Dept
with compts

Dorp
19/3/32

If approved the Regr of J. S. Cos will be informed as above -

SS
24/3/32

Dev. Secy) -

Yes - the Petition may be written to as above

MS
29/3

29/3

Draft noted

HD 30/3 KP.

Dorp
1/4/32

TO The Regr of JS Co. 12
D 4994 dt 5.4.32

States that since the My Agri Dairy Farm Co Ltd is a Co registered under the Mysore Companies Regn, its winding up under S 271 of the Indian Companies Act in Madras cannot exclude the voluntary winding up commenced in Mysore, and that for the purposes of S. 244 of the Mys Cos. Regn

General and Revenue Secretariat JS File No. 13 of 1930. C7

Serial No.

it can be contended that the voluntary winding up is still pending and that the liquidator consequently liable to furnish the information prescribed.

This may now be recorded if appd

NOTE—Contn. Sheet.

WD 70—GBPM—60,000—13-8-31

Confidential

J. S.

GOVERNMENT OF MYSORE.

GEN. & REV. SECTION 4812 3 DEC. 1930 DEVELOPMENT

IN REPLY PLEASE REFER TO NO. C. 344/30-31 ENCL. Eleven only.

Office of the Registrar of Joint Stock Companies in Mysore.

*Dated, Bangalore....11th Decr. ....1930.*

FROM

S. HIRIANNAIYA, ESQ., M.A., B.L.,
*Registrar of Joint Stock Companies in Mysore.*

To

B. NARAYANASWAMI IYENGAR, Esq., B.A., B.L.,
Secretary to the Government of His Highness the
Maharaja of Mysore, Development Departments,
B a n g a l o r e.

S i r,

I have the honour to state that on a perusal, under Section 137(1) of the Mysore Companies Regulation, of the balance-sheet of the Mysore Agricultural Dairy Farm Co., Ltd., as on 31st March 1929, and the auditor's report sent by the Secretary of the company for being filed under Section 134 of the said Regulation, it was found that some details regarding the marginally*noted items, mentioned in the balance sheet were necessary, if they should afford full particulars of the matters to which they related. Accordingly the Company was, in this office order No. C. 392/30-31 dated 13th November 1930 requested under Section 137 to furnish them within a week from the date thereof. No reply was received within the prescribed time but a letter signed for the Managing Director by some body was received on 21st Novr. 30 stating that the Managing Director was away from the Head-quarters and that the required information would be furnished soon after his return. It has not yet been received.

1. L a n d.
2. Ghee with tins
3. Loans on personal security.
& 4. Loans on Hypothecation of immovable properties.

2. The Inspector-General of Police has in his letter No. Pet. 1457 dated 21st October 1930, (his letter together with its enclosures are herein enclose) stated that instances of fraud perpetrated by the Company outside the State are being brought to his notice, that the business of the company is at a stand still

and has requested that an inspection of the books etc., may be made.

3. The late Mr. T. Subbaramiah, the Inspector appointed by Government in Government Order No. 2344-5/J.S.15-26-9 dated 3rd September 1927 furnished his report up to 9th July 1928 and it has covered only a small portion of the administration of the Company under Mr. S. Gangaraju, the present Managing Director.

4. In these circumstances, I request that Government may be moved to appoint under Section 138 (iv) of the Companies Regulation, 2 Inspectors, one a Police Officer of the status of an Assistant Superintendent of Police, and an Auditor to investigate the affairs of the company from 9th July 1928 up to date. The association of a Police Officer would be of much help in collecting legal evidence.

5. As to the cost of investigation, it may be ordered to be met by the company under Section 141(3) of the Regulation.

6. The balance sheet and the Auditor's report are herein enclosed. They as well as the Inspector-General's letter with its enclosures may kindly be returned when they are no longer required.

I have the honour to be,

Sir,

Your most obedient servant,

S. Ramaswamy 4.12.28

Assistant Commissioner,
For Registrar,
(absent from Head-quarters.

HR

TEL. ADDRESS:
"ALACRIS"
PHONE NO. 298

**POLICE DEPARTMENT**

CONFIDENTIAL.

NO. Pol-1457

ENCS. nine nil

REGISTRAR OF JOINT STOCK COMPANIES MYSORE
RECEIVED
Date 21.10.30
REC. NO 2344
30-31

OFFICE OF THE INSPECTOR-GENERAL OF POLICE
IN MYSORE.

Dated, Bangalore, 21st October 1930

FROM A.K.Syed Taj Peeran, Esquire., B.A.,
[redacted]
INSPECTOR-GENERAL OF POLICE IN MYSORE,
BANGALORE.

TO

The Registrar of Joint Stock Companies in Mysore,

Bangalore.

SIR,

I have the honor to inform you that the affairs of the Mysore Agricultural Dairy Farm, Co.,Ltd, Bangalore appear to have once again assumed a situation that calls for immediate attention. I invite reference to the correspondence ending with your letter No.C.12/27-28 dated 23-9-1927, showing that on the confidential report submitted by the C.I.D. Inspector of Police as a result of his enquiry, Mr.T.Subbaramayya, Retired Assistant Comptroller/ and certified Auditor since reported to be dead was appointed as an Inspector, under the Mysore Companies' Regulation to investigate into the affairs of the Company. The Criminal proceedings instituted against the Directors, who were then on the Board of management appears to be sub.judice.

2 The Head Office of the Company has since been removed from Mysore to Bangalore and there have been changes in the personnal of the Directors and of the Managing Director, which does not, however seem to have improved the tone and charactor of the Company.

3 After the action taken against the previous Directors, the newly constituted Board and its Managing Director have not been so active as before in the Mysore State, but their business has extended to the Presidencies of Bombay and Madras and some parts of Northern India. In the Mysore State there is at present only one Organizing Inspector appointed by the Company and that for the Districts of Kadur , Shimoga and Chitaldrug, whereas quite a number of them are operating outside the State.

4 Before the close of the year 1927 Mr.S.Gangaraju suceeded as the

as the Managing Director, and shortly after the Organising Inspectors and other Agents appointed for the marginally noted areas started their work. The authorised share capital of the Company was raised from One Lakh to Five Lakhs of rupees in order to secure working capital, as no cash on hand had been left by the previous Directors.

1, Ganjam District
2. Vizakpatam "
3. East and West Godavari
4. Krishna "
5. Nellore "
6. North Arcot "
7. Cuddappa, Kurnool & Bellary
8. Mudhra Ramnad and Tinnevally
9. Cochin and Travancore State
10. Coorg, South Canara and North Malabar Districts
11. Kullna and Jessore Districts
12. Sibsagar and Lakshmipur
13. Kamrup and Darrang

5 Isolated instances of fraud perpetrated by the Companies Agents outside the Mysore State, are being brought to the notice of this office. In March 1929 on a reference received from the Deputy Registrar of Co-Operative Societies, Vijagpatam, the Chief Secretary to the Government of Mysore requested the Deputy Commissioner, Bangalore District to have confidential enquiries made about the standing of the Company. It was then learnt that one G.Satyanarayana Murthi, an organising Inspector had cheated some villagers in Vizagapatam District, that the -- Directors of the Company took no action on it, and that the individuals, who had been cheated had to file a civil suit against the Company in the Munsiff' Court at Vijayanagaram and to get an attachment of the Company's funds, which had been lodged in the District Co-operative Bank thereat.

6 Mr. S.V.Kuppasawmy Naidu of Pudukote, who had been appointed in may 1929 as supervisor along with his son Govinda Naidu had deposited Rs 150/- on account of himself and Rs 150/- for his son out of the security of Rs 250/- demanded from each of them by the Company. But the Managing Director not standing by the terms of the contract made with them, besides failing to give them the required facilities, they were unable to make any progress in their work and had to eventually resign their posts. The complaint of Mr.Kuppasawmy Naidu is that the Managing Director has not responded to their demands to refund their security Deposits according to their terms of their contract.

7 The balance sheets of the company for the years ending 31-3-1927 and 31-3-1928 show that the security deposits forfeited were Rs.5196-3-0 and Rs.8815/- respectively.

8 Certain dissensions which appear to have arisen between the present Managing Director Mr.S.Gangaraju and other Directors and Companies Agents

Agents, have led to the exposure of the objectionable practices of the Managing Director. Mr.G.S.Narayana Murthy @ G.Sathyanarayana Murthy, a teacher in the Maharaja's College at Vijiyanagaram who had been accused of cheating the public in his capacity as the Organising Inspectir of the Company, as stated above, has addressed the marginally noted communications

| | |
|---|---|
| Letter No. dated 12-5-30 received in this office from Mr.G.S.Narayanamurthy.<br>2.Another letter from him without date received innthis office on 30-5-30.<br>3.Letter without date addressed to the A.S.P. - C.I.D. and received by the latter on 12-6-30 | to this office - ventilating his - grievances as also of others against the |

Managing Director. Copies ~~xxxxxx~~ thereof are enclosed for reference. Copies of the statements of Mr.S.Gangaraju furnished to the Bangalore City Police on 23-7-1930 and subsequently to the Assistant Superintendent of - Police, C.I.D. and that of Prof: M.V.Krishna Rao one of the Ex-Directors of the Company are also enclosed for referance.

9 The allegations made by Mr.G.S.Narayana Murthy are in general in terms and may be summarised thus. The company is a bogus one and Mr. Ganga Raju is a cheat. Mr.Ganga Raju is acting High handedly and has ~~entirely~~ absolutely dismissed all inconvenient Directors, Agents and other Officials of the - Company for his own indivisual benifit and for the advantage of those in whom he is interested. He promises many things but fulfils nothing. A copy of the document purporting to be a requisition to call for an extra ordinary meeting of the shareholders, which is furhished to the C.I.D. by Mr. G.S. Narayana Murthy (Copy enclosed) indicates generally the changes saught to be brought against Mr.Gangaraju.

10 Confidential enquiries go to show that the business of the Company has come to a stand still. There is not a single diary maintained by the Company anywhere to justify its name. Loans to Agriculturists have ceased to be granted. Live stock registration has fallen off. No other profitable business is at present engaging the Company. Apart from about Rs.35,000/- locked up in loans all other monies of the Company have been spent. All that the Managing Director now appears to be doing is to devise ways and means for meeting his own high salary and Establishment charges.

11 It is also learnt that Mr.Gangaraju has been running the entire business of the Company by himself&that no other Director is ~~forthcoming~~ functioning.

12 No aggrieved party has yet come forward with any complaint of a

complaint of a cognizable nature, which would give jurisdiction to the Mysore Police for investigation. The activities of the Company are mostly in the presidencies of Bombay and Madrasand parts of Northern India. Parties aggrieved are generally reluctunt to come all othe way to Bangalore and complain of the wrongs done to them . The Managing Director may conveniently disown the frauds perpetrated by the Organising Inspectors and supervisors.

13 Enclosures to Mr.Gangaraju's statement dated 8-8-1930 will show the particulars of the Organising Inspectors and Supervisors, against whom legal action are alleged to have been taken as also the changes in the Board of Directors.

14 This is a company registered under the Mysore Companies Regulation and as such the books and references of the Company are not open to inspection by the Police. Without the aid it is not possible to ascertain the frauds and its extent if any, perpetrated by the Company and to allocate the responsibility. Mr.M.V.Krishna Rao the Local Ex.Director of the Company, while supporting the allegations made against the Managing Director by Mr. G.S.Narayana Murthy of Vijayanagaram, states that many more things will come to light by an open enwuiry.

15 If the condition of the company and its mismanagement are really what they are represented to be the question of winding up the Company calls for early attention.

16 The books and references, maintained at the Head Office of the Company which I believe are open to your inspection, may disclose to you the truth or otherwise of the allegations made and enable you to take such action as you think proper.

17 I would request you to kindly intimate the result of action taken by you.

I have the honor to be,
Sir,
Your most obedient servant,

20-10-30

For Inspector General of Police

Thanking you in anticipation, 7

I beg to remain,

Honoured Sir,

Your most obedient
servant,

(Sd) G.S.Narayana
Murthy.

"C o p y".

G. Lautour
for Inspector-General of Police

G.S.Narayana Murti. Vizianagram,

Teacher M.R. College. 12-5-30.

To

TheCommissioner of Police,

Mysore Government, Bangalore.

Honoured Sir,

I beg to introduce myself as a teacher in the local College. I had been to Bangalore early this month to ascertain into the details of the Mysore Agricultural Diary Farm Co., Basavangudi. I am told that the Director is a dismissed - - Sanitary Inspector of these parts. He has published several things and never fulfilled any. There are so many cases filed against him stating that he is a cheat and that the company is bogus. I had a talkwith the Circle Inspector at Mysore on my way to Ooty. He advised me to file a petition informing the authorities with the discripancies of the Director. I learn that the Director, for fear of conviction has checked out the other directors and the staff. The Director is eating away the public money in the name of the Company. There is a proposal to file a complaint against the Director by the other Directors an share holders.

May I therefore request the authorities to ascertain into the working details of the company and peruse the Judgment copies of Vizianagram, Tanjore and Madras Courts. The havoc by the company in the whole country is incommensurrable. Please ascertain Prof. M.V.Krishna Rao, Sandow and Ex.Director and other dismissed clerks regarding other particulars.

As the irregularities are innumerable I have not mentioned here. I learn that some of the Directors are already under prosecution. Should you be pleased to order me for a personal interview for further particulars I shall be able to do so with all details.

Soliciting an early scrutiny and reply.

To

The Commissioner of Police, Bangalore,

(Mysore Government).

Sir,

We, the shareholders, Policy-holders, sub-agents, and representatives of the Mysore Agricultural diary farm Co. of this Province beg to represent the following grievances and irregularities pertaining to the administration of Mr.S.Gangaraju, the Managing Director of the said Co. Basavangudi, Bangalore.

We learn that this Director is squandering away the public monies and adjusting unlawfully towards his salaries and acting contrary to the terms of agreement and rules. We further learn that he has been checked out from the Madras Subordinate Health services for misbehaviour and conduct in the year 1926. A copy of the D.H.O. Nellore letter egar ing the subject is enclosed for perusal. We are only pointing out a few high handed actions as space does not permit to enumerate all. We are astonished how this Director, a dismissed Government servant, is able to pull on in a well constitutional Govt. The Director is enjoying, using socalled extraordinary powers Rs 500/- from the reserve fund specifically meant for the registration. We also learn that a false balance sheet has been produced to keep the public in darkness and we pray scrutinize the same. Further we invite your attention to the paras 234, 247, 248 of the Govt. Inspector's report Mr.T.Subrahmanyam Iyer D/9-7-28. And also request to ascertain as to the number of policies that are inforce and to the number of organizations that have collapsed.

The worthy Director has passed salaries indiscriminately using his extraordinary powers and witheld to some without head or tail. It appears the Director has held the meeting at Kurnool with a view to cheat the Directors even when the others protested to have the same at Bangalore. This lead us

us all to suspicion in view of his previous bad conduct and dismissal from Government service.

The Director has removed the other Directors and the clerks have resigned in a body. The Director has cancelled the agreements of all the Agents. He has not opened any Diary farms. In our humble opinion the Director is incompetent to pen or organise any Diary farms as he is not technically qualified. The so-called settlement of claims is only known to him and the amount collected for the Diary farm is utilised for the salaries personally. God alone knows how much he deserves but he has been adjusting Rs 500/-, the initial pay of Officer in the Imperial service.

We beg to invite your worthy self to enquire all the representatives who are entangled in a mire on account of this Director. We also learn that the Director has destroyed some documents. He has done ghee business with his brother at Amalapur with the public funds against the consent of the Directors and incurred a heavy loss. We also learn that the Director ran away to Hyderabad to organize a similar bogus Company and do his cheating propaganda when he found his position risky. This fact is making us suspicious all the more. Hence we are filing this complaint. There are several litigations some pending and some disposed. We invite the attention to the Judgment copies of the Chief Presidency magistrate of Madras and the subordinate Courts of Vizianagaram and Tanjore. The subordinates are not able to live in their respective localities owing to the nonfullfilment of the stipulated high sounding and sweet promises to the policy holders. How far his actions are legally permissible but our worthy Director has beenchanging the agreements issuing contradictory circulars using his extra-ordinary powers. All these have resulted in a chaos. The Director has distributed receipt books indiscriminately. So many subordinates have lost their substantial possessions. In a word he has been doing everything that a responsible Director

director should and ought not to do. We therefore request you to make a searchingenquirey and ascertain the reasons for the removal of indefinite numbers. We also learn that some of the previous Directors are ~~xxxxx~~ already under trial. We are prepared to send Mr.G.S.Narayanamurthy, Teacher, Maharaja's College, Vizianagaram, as a representative should you be pleased to order for further ~~xxx~~ particulars.

We beg to remain,
Sir,
Your most obedient servants,

| Designation | Taluk or Town | Signature. |
|---|---|---|
| Og. Inspector | Berhampur | 1.Sd. M.Samantharoy. |
| Supervisor. | Parvatipur | 2. Sd. Bhamidipati Sitaramaswamy. |
| do | Chicacole. | 3. Sd. N.Ramadass. |
| do | Ichapore | 4. Sd. Patchigalla Ramamurty. |
| do | do | 5. Sd. M.V.Ramanayya. |
| do | Rayagada | 6. Sd. P.Satyanarayana. |
| Share Holder | Parvatipur | 7. Sd. Nemani Latchanna. |
| | | 8. Sd. G.S.Narayana Murty. |

Ex.Og.Inspector Vizag.
(at present teacher)
(M.R.College, V.Z.M.)

Public Health Department.

Received ..... Registered .....
from (Name) Dr.N.Swaminathan Avl., L.M. &.S.
Designation District Health Officer,
Post Box ..... (Station ..... Nellore.

Telegraphic Address . . . . . .

To
Mr. Ry G.S. Narayana, Teacher, Maharaja College,
Vizianagram.
L.Did. on c. No. 28 pet. dated 9th May 1930.
D.H.O. of 30

Sir,

Ref. YourD.O. dated 2-5-30 stating that you want the particulars of late Health Inspector, G.Gangaraju

---

Mr.G.Gangaraju was a probationary Health Inspector in this District in 1926. His services were dispensed with as his

his work and character were not satisfactory.

(Sd) N.Swaminadhan,
11-5-30.
District Health Officer.

SGD/11-5-30.

4

"C o p y"

G. Lautaswamy
For Inspector General of Police

To

(5)

The Assistant Superintendent of Police,

C.I.D., Fort, Bangalore.

Sir,

With reference to your letter of 2235/29 dated 25-5-30 about Mysore Agriculture Diary Farm I submit as follows.

The Directors dismissal, I am told, a copy of the order has been submitted by the Ganjam share-holders to the authorities at Bangalore. The Director has published that Diaries would be opened, loans would be given etc., How many Diaries he has opened, how many subordinates have resigned may be enquired into. The fact that he is a cheat and that the Company is bogus is submitted on the informations received, from the people there, who are closely connected with the Office. He has deceived several Inspectors giving them undertaking letters and paid nothing. In my humble opinion, this is more than cheating. When several people have withdrawn or chekcked out there must be wrong either in the Director or with the whole world. Regarding Judgment copies I would advise the authorities to request the concerned.

The fact that company is registered does not present anybody behaving high-handedly. Several share holders and Directors have been corresponding with me how to end or mend this Director's administration. A copy of innumerable allegations levelled against Mr. S.Gana Raju is herewith enclosed for perusal. signed by all share holders. Space and time do not permit to go into the details. More detailed information can be furnished when if I am ordered to go there personally. I request enquiring into the details personally. My report to the authorities is only on the strength of written and oral reports, from the persons who have been checked out by this Director. And some of the details have already been furnished by the Ganjam Share holders and they have also advised me to go there to intercede on their behalf. By this I am only advising you to enquire into to safeguard public interests in future. My position in the Company was an Inspector, and the Director was worthy enough to eat away four months' salary

I salary and gave undertaking letters when threatened by a Vakil.
hold
75 shares

I beg to remain,
Sir,
Your most obedient servant,

Sd/- G.S.Narayane Murthy.

"C o p y"

G. Lautaroffe
for Inspector General of Police

Requisition to call for an extra-ordinary general meeting.

(Pursuan to Section 78 (1) of the Mysore Companies Regulation).

The Management of the Mysore Agricultural Diary Farm Company, Limited, Basavangudi, Bangalore, is hereby called upon by the undersigned Share Holders to convene an Extra-ordinary General Meeting to be held at the Registered Office of the Company to transact the following business therein:-

Whereas the present state of affairs of the Mysore Agricultural Diary Farm Company Limited, Basavangudi, Bangalore, are such as to lead anyone to observe that the company has been continuously incurring extra-ordinary heavy loss year after year as betrayed in the respective Bala ce Sheets and such losses have r ce.tly risen to the abnormal height of over one lakh of rupees in spite of the profits having been writt n off against - - - irrecoverable items:

And whereas the business activities of the Company, extending over various parts of India, having been dislocated owing to the arbitrary and high-handed ection of Mr. S.Gangaraju, the pre ent Managing Director of the Company, cancelling the agreements of the various Organising Inspectors and Supervisors - - - - indiscriminately, thereby disabling the company from achieving the primary objects of its business aims;

And whereas the said x Mr. S.Gangaraju has acted, quite contrary to principles and prejudicial to the interest and well-being of the company in having arranged to transfer the whole of the business activities of this company in the Hyderabad Domin'ons to x another newly formed company having ob ects similar to those of this company to be conducted by Mr.S.Gangaraju, the Managing Director of this X Company (M.A.D.F. Co. Ltd.) in his private capacity in partnership with another Mr.S.R. Naidu who was also an Organising Inspector of this same Compony, which meant the transfer of all experienced representatives of this (our) Company to the other (new one thus making this Company losing their useful services and facilitating Mr.S.Gangaraju to achieve selfish motive of amassing a greater wealt at the risk of this Company.

And whereas all such arbitrary actions described above are chiefly due to imaginary and unlimited powers assumed by Mr.S.Gangaraju, the Managing Director who neglecting the control, supervision and advice of the existing Directors or having no other advisor or sufficient number of Directors on the Board for consultation, by virtue of which, all his actions have been proving short-sighted, ill-considered and injurious to the well-being and continuance of this Company;

And whereas taking advantage of his actions being unobstructed Mr.Gangaraju, the Managing Director has been directing all his imaginary powers to his own selfish benefits and to the detriment of this Company's prosperity though there is ample scope and opportunity for this Company's prosperity:

And whereas the said Mr. S.Gangaraju, the Managing Director, has squandered away very heavy sums of the Company's funds over unworthy and unprofitable speculations in an unbusiness-like manner in his dealings.

1-.with his own kith and kin viz. his own brother and another friend of his native District in the ghee business of the Company.

2. with another inexperienced costly form in the manufacture of ploughs, which were later on proved quite useless at the Exhibition at Coimbatore,

3. in getting printed forms, literature etc. at his own whim and fancy only to be thrown out later as obsolete and waste and

4. inspending awayfor other purposes the Share capital expressly collected for the specific purpose of opening Diary Farms at Tuticorin and other places;

And whereas the said Mr.S.Gangaraju has with a view to screen his improper use of Company's funds, particularly in drawing an unlawful increment in his own salary in passing - - - Remuneration to some of his favourite agents and valuing the stock and stores at fictitious costs submitted to the Share Holders a false Balance Sheet, and fearing scrutiny and detection of his defects he unnecessarily arranged the Directors meeting for adopting the balance sheet to be held at Kurnool, thereby disabling the other Directors from having access to the books and records kept at the Head Office of the Company for the verification of the figures in the Balance Sheet though two Directors are residing at Bangalore

Bangalore and in spite of the Director at Kurnool consenting to go to Bangalore to attend the meeting at the Head Office;

It is, therefore, deemed necessary and desirable that the Company's interests should immediately be guarded against the imminent danger it is now exposed to by the misdeeds of the present management by sparing no pains in exercising all possible efforts to re-establish the Company on a more substantial and profitable basis or to wind up the company, if necessary,

with the objects described above, the Agenda for the Extra-ordinary General Meeting now required to be convened shall be:-

1. To elect a set of new Directors to increase their number as far as possible subject to the limitation of the maximum prescribed in the Company's Articles of Associations and to remove any or all the existing Directors, if necessary.

2. To remove from Mr.S.Gangaraju, Managing Director, all the powers vested in him by the Share Holders and Directors of the Company from time to time whether in their Ordinary extra-ordinary General, or other Meetings held by either or both of them by means of entering into agreement or otherwise up till now and to transfer those powers to a Committee of Directors and to elect members for such Committee.

3. To appoint a Sub-Committee in like manner.

a. to investigate into the causes, etc. of the present critical and miserable position of the company due to the mismanagement of Mr.S.Gangaraju, by scrutinising all the books and records of the Company;

b. to suggest suitable measures to eliminate to efects and disadvantages in the present system of management and its working;

c. to suggest suitable means for making good the loss, damages, etc. sustained by the Company up till now;

d. to do all such things in their sphere as seem to be necessary and desirable for the up-lift and efficient management in the future working of the company or to recommend the winding up of the company in case they deem it impossible to continue the business any longer.

e. to recommend, if found necessary, the appointment of a Government Inspector duly requesting the Government of Mysore for the purpose of investigating the affairs of the company pertaining to the regime of Mr.S.Gangaraju.

4. to stop all further payments of remuneration, salary and other things to Mr.S.Gangaraju until the final decision of the Committee over the report of the sub-committee or the Government Inspector, if appointed.

5. To pass each other resolutions as may be deemed necessary with the foregoing subjects.

| Name | No. of shares held. | Signature |
|---|---|---|

Clear & eligible)

Yours

The Mysore Agricultural Diary Farm Company, Ltd.

Basavangudi, Bangalore.

23rd July 1930.

The Statement of S.Gangaraju, Managing Director
The Mysore Agricultural Diary Farm Co. Ltd.
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Referring to the complaint to the address of the Police Commissioner, I beg to explain as follows:-

The share-holders of this Company that elected me for their Managing Director know best why they did it, and it is up to them to resort to constitutional methods to displace me. The Articles of Associations are the basis and powers delegated by such are exercised indue observance of the vested powers, the repealing to displace management so constituted is again vested in the General ~~X~~ Body of Share-holders, of course, with restrictions of the proportions and definite provisions as guided by the Articles themselves. The signatories need not be in darkness, if they know their powers and can see things in day light and shine. The petitioner or petitioners have voice in the General Body Meeting, or, if necessary, they could obtain required number of votes from among the share-holders, a number that is required by the Articles themselves, and cause to hold an Extra-ordinary General Meeting, as provided for by the provisions of Company Law to determine actions necessary. These vague allegations by them are not of service ~~kk~~ either for the good government of a company or any relief to them in their imaginary ills. In the present case our friends, the signatories have only not to blame ~~kkm~~ themselves for commission of such offensive acts, prejudicial to Company's interest, perforce their removal ~~x~~ was found absolutely necessary for the good government of the institution.

The signatories are as well share-holders and if they did not turn up ~~x~~ at the General Body Meeting and ~~km~~ others did and passed the balance sheet for adoption, well, it is for these people to nullify constitutionally is once again a theme I could only say. Government Inspector's report was placed on the table before the share-holders when they last met and they know

whole tale of the report.

The revenue and expenditure of the Company as shown in the annual accounts placed before the General Body i.e. the balance sheet, profit and loss account and other subsidiari were audited by an auditor before they were placed on the table and such accounts were adopted by that body. All payments made by the company as my remuneration in the way of salaries or otherwise are strixctly made in accordance with the terms of our agreement existing between the Company and myself (S.Gangaraju). The Meeting had to be conducted at Kurnool as there was a - - Director there, who could not for reasons of his own important business, attend the Meeting at Bangalore to sign primarily the accounts meant to place before the General Body; a Director at Bangalore to sign the accounts was quite enough for the purposes the statutory requirements, but he would not do it for the reasons that he had lost an income from the Company with his printing bills exhorbitantly ratxed, - this was to his disadvantage, thus a dissatisfaction lurked into him to obstruct every piece of work xx that should be necessary to fulfil certain statutory obligations.

The signatories are mad to express the same thing "Dismissal" while the fact is I was not to continue in service of the Madras Health Department after my probation, and with no charges against me whatsoever; records are there to show that owing todifference of opinion between myself and my superiors, my services terminated.

The signatories of the petition were removed from service for their actions - here nobody to blame but themselves, and it was upto them to vindicate their honour in a proper court of law and claim releif, should they ever possess any claim at all. The Director did remove several servants of the Company as also several of the clerical staff resigned is a fact and that is for known reasons to me that the continuance of such undesirables in the Company's services was harmful.

Destruction of documents is a myth and I for one, could not do this - then again, what such records should they be, I cannot guess; I do not own any records affecting my personal interest at my office, but the Company's records, and these are looked after properly by a responsible person Record-keeper.

Glee business did end in a heavy loss, it is true, not because of the consignments from my brother only but other consignments also, detail management of this business entrusted to my co-Director at Bangalore who was running the show for the Company, could not profitably carry it on. Business results of loss or gain cannot be attributed to my infidelity, but a bit of carelessness or over-carefulness was the cause, I should regret to submit to a censure, it was my employer share-holders to pass such a censure in the General Body Meeting when they met - these few people are no wise, only a drop in the ocean of thousands of them (Share-holders). It is funny that our friends, the complainants, expect me to dictate judgments in cases before the judiciary and it is for valid reasons known to that department either for defective proof of facts or technical points of law when cases fail.

Receipt books and other details of the Company's working found to be necessary were adopted as the accounts proper prompt to the accounts department - I am sorry I can ill afford to explain this.

To sum up the whole tale of this complaint against me, I could only say that the signatories have grievances of their own, or they are not in the good books of this Company on account of their commission or omission of their duties. Mr.G.Satyanarayana Murthy, one of the signatories, I believe is the chief complainant who misappropriated the Company's funds and he was hauled up for make the sum good and he had to do it. Other signatories were removed from service for similar reasons or neglect of duties and the pain is the basis of this complaint as I can guess - I am sorry, I have no personal grudge to any of them

the interest of the Company whose servant I am with trust bound This Mr.G.Satyanarayana Murthy who wishes to be a spokesman and to head a deputation before the Police Commissioner happened to write sometimes very bad letters to me personally with such obscene language quite defamatory, and in consequence my ~~xxxxxx~~ counsel issued a notice to him that he was taking action to my instructions - this must be an additional cause that prompt our friend to club a few of discontenxted lot to sign to a complaint under review.

I pray, a copy of the petition shown to me to which this is my reply, may kindly be caused granted to serve purpose of an evidence in my case for defamation, I intend launching against him in terms of my lawyers notice already issued pending.

(Sd) S.Gangaraju.

23/7/30.

"C o p y"

G. Lawtonaffer

~~A.~~ Jr Inspector General of Police

The Mysore Agricultural Diary Farm Company,Ltd.

Basavangudi, Bangalore

Ref. No.1094.

The Statement of S.Gangaraju, Managing Director the Mysore Agricultural Diary Farm Co. Ltd., Basavangudi, Bangalore

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Ref:- Notice No.296/T.B./C.I.D./30-31 dated the 5th August 1930 issued from the Office of the Asst. Superintendent of Police, Railways and C.I.D. in Mysore, Bangalore, to appear in person on the 6th August at 12 noon before the Officer.

I appeared in person on the 6th as desired and on the lines suggested by that Officer to present a written statement on the 8th August in continuation of one sent on 23rd July 30 in the matter of a complaint by Mr.C.Satyanarayana Moorty and a few other share holder signatories.

To begin with, I am asked to explain my connection how began with this company well, it is simply this - an alluring advertisement in the Hindu calling for candidates to positions of respectability in this company induced me to apply for same and as I got in to apply for, I was offered the place of the Managing Director and it cost me to start with Rs 1200/- deposit in shares; charge was given, so to speak and I joined this company on 22nd November 1926 as Managing Director with a cash balance of Rs 0-0-4; The whole affair was miserably lead of co-directors co-ordination disappointing, complaints of various descriptions existed amounting to mismanagement and actions suspicious were there, only while actually handling the business, after taking over charge came to light; having plunged into this whirlpool, with complaints all round, I commenced working for about two months. It is about January 1927 the Mysore District Deputy Commissioner as Asst. Registrar of Joint Stock Companies inspected records and accounts then maintained at the company's office; he found the whole show was a hopeless muddle and on his expression of disapproval my Co-Directors were informed of the situation. There were many irregularities for corrections, and the Directors gave no heed to this, share holders put in a requisition for an extra-ordinary General Meeting, and in that Meeting held on 15-6-27, resolutions were passed to remove all the

the Directors and Managing Agents then existed and further resolutions were also passed to appoint a committee of select share holders to investigate affairs and a temporary Board was also formed until the next general Meeting.

This committee finished investigation and their report was placed before General body and there it was resolved that the Government be approached to prosecute the Directors (removed) for their actions; a permanent Board was also formed and subsequently the Government appointed an Inspector to examine and submit a report on the company's working which report you have before you, while Inspector's recommendations are being carried out.

The enclosed audited balance sheets and Directors' report for 26-27, 27-28, 28-29 disclose the financial position and other informations regarding collection of share capital premium income etc. of this company for three years ending 31st March 1929, as for the current year the accounts being made ready for the audit purposes; copies of audited statistics so placed before the General body next month will be available andI will send you also one.

It was resolved in the GeneralBody Meeting in 1928 that the capital was to be raised to 5 lakhs; it was with a view to place sufficient funds to increase activities in different allied lines profitably. It was only a registered instrument for five lakhs yet unsubscribed funds there remain more than three lakhs.

Number of livestock claims preferred during the three years are 650, passed and paid 235, rejected 324, passed and not yet paid 11 and pending for want of information 80.

The financial position of the company was satisfactory till the end of December 1929 as could be seen from the balance sheets enclosed herein. We have invested not less

less than 35 thousand as loans with the agriculturists till the end of December 1929 repayable in quarterly instalments. From January 30 we have been spending available cash balance for the maintainance of the company and it is now almost exhaust d and we are depending relief for the last three months on currect business only. The working from January 1930 looks to me an insoluable problem for the funds at our disposal amounting to xx no - - less than 35 thousands is locked up in the way of loans to agriculturists, the renewal premiums amounting to a lakh are not coming in, and no business turn over on account of dead lock created in the business atmosphere owing to present political situation in British India, which set-back it was impossible to anticipate with a healthy clienetele of thirty thousand being shar and policy holders already on the rolls with expectations of annua business proportionate arriving to an average of past experience of three years in the line. I will represent the serious situation to share holders when I place facts and figures before the General Meeting next month to arrive at a decision and await their suggestion as to the future - any way, I do not like to continue service here, with the scheme as I find it is unworkable

Removal of several organising Inspectors and others is a matter of details of the company's working, should definite instances be explained, it is possible to do so from records of their service.

I have been complying with the requirements of the Mysore Companies regulation regarding the submission of of Returns to the Registrar of Joint Stock Companies regularly and punctually and no remarks have been made till now.

Inspection of the Company's books was made by the Registrar's Office in the year 1929 and no objections were made.

The company has been doing Livestock Insurance mainly under clause III. J. of the memorandum of Association and little business was done last year in ghee, manures, and agricultural implements under Clause III a & b of the memorandum of Association.

A list of Directors and subsequent chages is attached herewith.

A list of criminal cases is also attached herewith.

(Sd) S .Gangaraju.
Managing Director.
8/8

"C o p y"

C. Ramaswamy
for Inspector General of Police

## A list of Directors and changes therein.

| Names | Time of appointment. | When connection ceased. |
|---|---|---|
| M.Bahuddin Sahib Esq. | 10-10-27 | Ceased to be a Director under Article 98 ∎ for not obtaining the qualification shares Resigned on 12-12-29 |
| Medum Venkaiah chetty garu | " | |
| .S.Gangaraju (Ex. OfficioR) | " | |
| R.Ramakrishna Pillai B.A. | 21-12-27 | Resigned and accepted on 16-5-28 |
| S.Raghava Iyer esq., | 13-4-28 | Resigned on 12-4-29 |
| A.Muthukumara Pillai | 21-9-28 | Resigned on 5-12-28 |
| Professor M.V.Krishna Rao | " | Removed from Directorate by an extraordinary resolution No.7 passed in the meeting held on 16-10-29 in Registered Office, Basavangudi Bangalore. |
| R.Venkata Ra (Elected) | 16-10-29 | Resigned and accepted on 17thMarch 1930. |
| C.R. Naidu, Esq., | 1-11-29 | |
| G.Harisarvothama Rao, Esq., M.A. | 17-3-30 | |
| G.Ramasubba Reddy, Esq., | 2-6-30 | |

(Sd) S.Gangaraju,
Managing Director.
8/8.

"Copy"

Criminal Cases connected with the company.

| | | | | |
|---|---|---|---|---|
| Bezawada | Crown | Vs. | P.Sambasiva Rao | Organising Inspector. |
| " | " | " | K.L.Narasimha Rao | |
| Madras | Company filed complaint against S.P. Sarathy | | | " |
| Tanjore | Company filed a Police compl int against V.C. Naidu | | | " |
| Mannargudi | Crown | Vs. | G.Sreenevas Rao | Supervisor |
| Tiruvallur | " | | Ratnamudaly | do |
| Dacca | " | " | S.C.Ganguly | Branch Secretar |
| South arcot | " | Police complaint against Gangadhara Mudali. | | |
| Dharwar | " | Police complaint against Venkatasi gopal Vaze. | | |
| Perinthalamanna | Crown | Vs. | K.K.Abdul Rahman. | |

(Sd),S.Gangaraju,
Managing Director.
8/8.

"Copy"

Prof. M.V.Krishna Rao.

P.O. Basavangudi,
Bangalore (S.India).
15th July 1930.

To

The Superintendent of Police,

Bangalore City.

Sir,

With reference to the petition sent by several gentlemen whose Signatures I find in the petition, I have to inform you that what all is mentioned therein is quite correct and something more will come out, if open enquiry is made by Government and issue summons to all those who are working in the Company as Inspectors, Supervisors as well as the Directors of the Company.

I was invited by Mr.Gangaraju some two years back to be the Director of the Company and accordingly I bought the required number of shares. After I became the Director about two years back, I wanted to study minutely the working of the - - Company and began to ask him to furnish the required information. But the Managing Director was not willing to give me any information and began to treat me indifferently and avoided me on several occasions. Ultimately he passed a censor upon me and removed me from the directorate without any notice.

There are thousands of people who have lost their money and volumes of information can be had, if an ~~open~~ open enquiry is made by Government to safe-guard the interest of ignorant people who always are tempted by the promises made by this Company to give appointments on high salary after taking amounts towards fully paid up shares.

I will be glad to render any help in this connection in the interest of public, if it is required at any time.

Yours faithfully,
(Sd) M.V.Krishna Rao.

copy
G. Lawrence
Dy Inspector General of Police

"COPY"

# The Mysore Agricultural Dairy Farm Company, Ltd., Comprising the Live-Stock Compensation Bureau, Bangalore City.

## Trading, Profit and Loss Account for the period ending 31st March 1929.

| PARTICULARS | Details | Amount | PARTICULARS | Details | Amount |
|---|---|---|---|---|---|
| | Rs. A. P. | Rs. A. P. | | Rs. A. P. | Rs. A. P. |
| **Trading Account.** | | | Sales .. .. .. .. | 837 13 9 | |
| Purchases .. .. .. .. | | 5,411 15 3 | Stock on hand :— | | |
| | | | Ghee : 138 tins and 2¼ Viss @ Rs. 20 per maund — Rs. A. P. 4,145 10 0 | | |
| | | | Empty Tins : 138 tins @ 4 as. — 34 8 0 | | |
| | | | | 4,180 2 0 | |
| | | | | | 5,017 15 9 |
| | | | Net Loss transferred to Profit and Loss A/c .. | | 393 15 6 |
| TOTAL .. | | 5,411 15 3 | TOTAL .. | | 5,411 15 3 |
| **Profit and Loss Account.** | | | | | |
| Net Loss transferred from Trading Account .. | | 393 15 6 | Adjustment of last year's account :— | | |
| Establishment Charges :— | | | Depreciation on Preliminary Expenses written off in excess .. .. .. | 124 2 4 | |
| Salaries .. .. .. | 14,165 0 11 | | Salary wrongly adjusted .. .. | 32 1 0 | |
| Salaries of Dairies .. .. .. | 264 5 0 | | | | 156 3 4 |
| Remuneration to Agents .. .. | 40,568 13 4 | | | | |
| Overtime Allowance .. .. .. | 81 9 9 | | | | |
| | | 55,079 13 0 | | | 50,698 11 3 |
| Commission on Live-stock Registration .. | | 3,108 1 8 | Live-stock Registration Initial Premium .. | | 7,039 10 0 |
| Stationery and Printing Charges .. .. | | 8,241 1 0 | Live-stock Registration Certificate Fee .. | | 2,395 9 0 |
| Directors' Sitting Fees .. .. .. | | 60 0 0 | Interest earned .. .. .. | | 17 0 0 |
| Rent, Rates and Taxes .. .. .. | | 1,625 15 7 | Sale of Memorandum and Articles of Association .. | | 70 10 0 |
| Postages and Telegrams .. .. .. | | 1,901 1 11 | Share Transfer Fee .. .. .. | | 74 8 0 |
| Travelling Expenses .. .. .. | | 2,263 0 0 | Live-stock Renewal Company Fee .. .. | | 50 0 0 |
| Advertisement Charges .. .. .. | | 4,145 11 3 | Incidental Charges .. .. | | 9 2 6 |
| Contingent Charges .. .. .. | | 1,580 14 4 | Late Fee on L. S. Premium Collections .. | | 25 3 2 |
| Legal Charges .. .. .. .. | | 1,106 8 0 | Miscellaneous Receipts .. .. .. | | 28,594 3 7 |
| Stamp Duty paid to Government .. .. | | 6,192 2 0 | Net Loss carried over to Balance Sheet .. | | |
| Meeting Expenses .. .. .. | | 68 13 3 | | | |
| Bank Charges .. .. .. .. | | 72 3 3 | | | |
| Registration for Filing Returns .. .. | | 244 0 0 | | | |
| Interest paid and due .. .. .. | | 261 10 10 | | | |
| Seigniorage Commission .. .. .. | | 404 9 0 | | | |
| Live-stock Death claims .. .. .. | | 717 4 6 | | | |
| Investigation Charges .. .. .. | | 150 0 0 | | | |
| Lighting Charges .. .. .. | | 127 0 9 | | | |
| Remuneration to Directors .. .. .. | | 284 10 9 | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Exchange Commission for converting O.S. to B.G. .. .. | | | | 22 | 10 | 2 | | | |
| Preliminary Expenses 10% wiped off .. .. | | | | 66 | 10 | 8 | | | |
| Commission on Shares 10% wiped off .. .. | | | | 108 | 6 | 0 | | | |
| Audit Fee .. .. .. .. | | | | 250 | 0 | 0 | | | |
| Depreciation :— | | | | | | | | | |
| On Land .. .. .. | 84 | 0 | 0 | | | | | | |
| ,, Furniture .. .. .. | 157 | 12 | 6 | | | | | | |
| ,, Office Appliances .. .. .. | 88 | 7 | 0 | | | | | | |
| ,, Vessels .. .. . | 8 | 14 | 2 | | | | | | |
| ,, Machinery, Tools, etc. .. .. | 1 | 4 | 10 | | | | | | |
| ,, Dairy Appliances .. .. .. | 3 | 13 | 6 | | | | | | |
| ,, Library Books .. . .. | 36 | 1 | 5 | | | | | | |
| ,, Live-stock Registration Appliances .. | 7 | 10 | 0 | | | | | | |
| | | | | 387 | 15 | 5 | | | |
| TOTAL .. | | | | 89,130 | 12 | 10 | TOTAL | | 89,130 12 10 |

K. Venkatasubbiah Naidu, G.D.A., L.A.A., A.C.R.,
Govt. Diplomamed Accountant and Auditor,

Tel. "HAIBBUS".

93, Godown Street,
Madras. .....19.

30

Ref. No.

Annexure to the Balance Sheet of

The Mysore Agricultural Dairy Farm Company, Limited,

Bangalore (City).

as on 31st March 1929 dated 30th September 1929.

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REPORT:

The annexed Balance Sheet of the Mysore Agricultural Dairy Farm Co., Ltd., is examined, and I report as under:

Trading account:

The Company has last year closed trading in Ghee and has commenced during the year under review on a small scale. This has resulted in a loss. The remaining Stock on hand on 31st March 1929, was disposed off at a loss and the business has again been discontinued.

Livestock Registration Department:

The income from this source is detailed below:-

| | | | |
|---|---|---|---|
| Livestock Registration Initial premium. | Rs.50,698 | 11 | 3 |
| Livestock Registration Certificate Fee. | 7,039 | 10 | 0 |
| Livestock Renewal Company Fee. | 74 | 8 | 0 |
| Late fees on Livestock Premium Collections. | 9 | 2 | 6 |
| | Rs.57,821 | 15 | 9 |

The main heads of expenditure in this scheme is shown below:-

| Particulars. | Amount. | | |
|---|---|---|---|
| Remuneration to Agents. | Rs.40,568 | 13 | 4 |
| Commission fee on L.S. Registration. | 3,108 | 1 | 8 |
| Stamp duty paid to Government. | 6,192 | 2 | 0 |
| Seigniorage Commission. | 404 | 9 | 0 |
| C/o, | Rs.50,273 | 10 | 0 |

| | | | |
|---|---|---|---|
| B/f, | Rs.50,273 | 10 | 0 |
| Livestock Death Claims. | 717 | 4 | 6 |
| Veterinary Examination Fee. | 60 | 0 | 0 |
| | Rs.51,050 | 14 | 6 |

The Excess of receipts over Expenditure in this Department is Rs.(57,821-15-9 less 51,050-14-6) 6,771-1-3.
The Printing charges alone for this department (included in Rs.8,241-1-0) is surely above Rs.6,771-1-3, not to mention of office maintenance and Head Office proportionate Expenditure-.

The working of this department during this year has not been profitable.

Income from interest. Rs.2,395-9-0:

Out of this amount Rs.567-14-9 is actual collections and the balance of Rs.1,827-10-3 is adjustments.

Head Office and Branches Maintenances etc., Rs.31,258-13-1:

The income to meet this huge expenditure is almost negligible viz., cash collections of Rs.595-1-11 and adjustments of Rs.1,827-10-3. Any comment on this state of affairs is unnecessary.

Land: Rs.(2,800-0-0 less depreciation 252-2-0) 2,547-14-0

The title of the account does not make it clear that the amounts spent is for acquiring forest or jungle.

Loans recoverable. Rs.34,563-13-6:

The Directors' Report to the Share-holders in connection with the Fourth Ordinary General Body Meeting dated 23rd September 1929 recommends the writing off 23 accounts amounting to Rs.2,103-4-0 to Profit & Loss Account. Legal action is being taken on 39 accounts amounting to Rs.4,802-2-7.

Debtors: Agents and Workers Rs.17,284-2-1:

Directors in their above report have recommended the writing off 45 accounts amounting to Rs.1,610-13-5.

Debtors:

| | |
|---|---|
| Dairy Debtors. | Rs.1,640-15-6 |
| Sundry Debtors. | 4,374 -3-2 |

32

Rs.498-11-9 being the amount due on 65 accounts is recommended to be written off to Profit & Loss Account by the Directors in their above Report. Another 6 accounts amounting to Rs.1,551-6-2 is recommended to be written off by the Directors as follows:-

| Particulars. | Amount. |
|---|---|
| 1. Profit & Loss A/c, | 771 9 4 |
| 2. V.K.Lakshmana Mudaliar & Co., Ex-Managing Agents of the Company. | 779 12 10 |
| | Rs.1551 6 2 |

Summarising.

| Particulars. | Amount in the Balance Sheet | Amount recommended to be written off. | |
|---|---|---|---|
| | | To P & L account. | To V.K.L.Mudaliar & Co. |
| Loans recoverable. | 34,563 13 6 | 2,103 4 0 | |
| Debtors: Agents & Workers | 17,284 2 1 | 1,610 13 5 | |
| Dairy Debtors. | 1,640 15 6 | | |
| Sundry Debtors. | 4,374 9 2 | 771 9 4 | 779 12 10 |

The Directors in their report to the Share-holders in connection with the Fourth Ordinary General Body Meeting have also recommended the following adjustments as suggested by the Government Inspector in his report dated 9th July 1928.

| Particulars. | Debit amount. Rs. as. ps. | Credit amount. Rs. as. ps. |
|---|---|---|
| 1. Suspense A/c. | | 65 1 8 |
| 2. P & L A/c. | 60 13 4 | |
| 3. V.K.Lakshmana Mudaliar & Co., Ex-Managing Agents: | 256 5 8 | |
| 4. Preliminary Expenses. | 71 1 8 | |
| 5. Sundry Debtors. | | 218 7 0 |
| 6. Agents & Workers. | | 104 12 0 |
| Total. | 388 4 8 | 388 4 8 |

Suspense (Credit entries). Rs.5,359-8-10: 33

Detailed analysis of this account is made up only up to 31st March 1927. Separate Final Schedule has not been prepared as on 31st March 1929. The Office has been instructed to prepare the Detailed Analysis as on 30th September 1929.

Finally I have to put on record that the books and accounts are carefully and properly written up.

Subject to the foregoing, I am of opinion that the Balance Sheet is properly drawn and in conformity with Law so as to exihibit a true and correct view of the state of the Company's affairs according to the best of my information and explanation given me and as shown by the books of the Company.

30th Sept. 1929.

Sd. K. V. Subbiah,
Govt. Diplomaed Accountant & Auditor.
30-9-1929.

"Copy"

For THE MYSORE AGRICULTURAL DAIRY FARM CO., LTD.,
Secretary.

24. 6 929

GOVERNMENT OF MYSORE.

DEVELOPMENT BRANCH.

IN REPLY PLEASE REFER TO
NO. C. 344/30-31
ENCL.

CONFIDENTIAL.

Office of the Registrar of Joint Stock Companies
in Mysore.

*Dated, Bangalore* 20th December *193* 0.

FROM

S. HIRIANNAIYA, ESQ., M.A., B.L.,
*Registrar of Joint Stock Companies in Mysore.*

To

B. NARAYANASWAMI IYENGAR, Esq., B.A., B.L.,
Secretary to the Government of His Highness the
Maharaja of Mysore, Development Departments,
Bangalore.

Sir,

In continuation of this office letter No.C.344/30-31 dated 12th December 1930 requesting that Government may be moved to appoint 2 Inspectors to investigate into the affairs of the Mysore Agricultural Dairy Farm Company, Limited, I have the honour to state that Mr. A. Ranganadham Chetty, B.A., B.L., advocate, Madras has reported to me that at an Extraordinary General Meeting held at Madras on 25th November 1930 it was resolved that the Company could not by reason of its liabilities continue its business and should be wound up voluntarily and that he ( Mr. A. Ranganadham Chetty, B.A., B.L., Advocate, Madras ) was appointed as the Liquidator. The text of the resolutions authorising the winding up has not yet been received and has been called for.

I have the honour to be,
Sir,
Your most obedient servant,

Registrar.

Sp.

Appendix F G—1

SUBJECT.....

.....

.....

Inverness + Cawdor

Section J.S.

File No. 13-30

Serial No. 3

No. 6577

*Diary No. of letter replied to*.....

General and Revenue Secretariat

(

*the* *193*

To The Registrar J.S.

.....

Date of issue 24.12.30

Signed by W. M. S. Gunson

Sir.

With refce to correspondence ending with your letter No 6346/ dated 20/12/30. re the appointment of two Inspectors to investigate into the affairs of the Kenyon Agricultural Dairy Farm Co Ltd. I am directed to request you to be so good as to suggest very early the name of the Auditor to be appointed as Inspector for the purpose of investigation.

I have &c

24/12/30

for Secy

List of enclosures.....

Copied by.....

Examined by.....

WD 02559—GPB—25,000—25-6-30

Confidential

GOVERNMENT OF MYSORE.

SEC: ARIAT 5348 JAN DEVELOPMENT BRANCH.

IN REPLY PLEASE REFER TO NO. C.344/30-31. ENCL. —

Office of the Registrar of Joint Stock Companies in Mysore.

FROM

*Dated, Bangalore.....6th January ...1931.*

SRRAJAGOPALACHARI, Esq., B.L.,

The *Registrar of Joint Stock Companies in Mysore.*

To

J.S.13-30-4

B. Narainsamiengar, Esq., B.A., B.L.,
Secretary to the Government of His Highness
the Maharaja of Mysore, Development
Departments, Bangalore.

Sir,

With reference to your letter No. D.6577/ J.S. 13-30 dated 24th December 1930 requesting that the name of the auditor to - be appointed as Inspector to investigate the affairs of the - Mysore Agricultural Dairy Farm Co., Ltd., may be suggested, I have the honour to state that the Comptroller who was consulted in the matter has suggested the name of Mr. M. K. Sampath - Iyengar, B.A., one of the 1st Grade Superintendents of his - Office on a pay of Rs. 220/- for being appointed as such Inspector.

I have the honour to be,
S i r,
Your most obedient servant,

S. Narainsamiengar
6.1.31

Head Quarters Assistant
In charge.

HR

DR

G.R.S. App. F VI G-2]

SUBJECT .....

.....

.....

*'ary No. of letter replied to*.....

General and Revenue Secretariat

( )

*the* *193* .

Date of issue 16.1.31

Signed by HVCen

May this be

(i) Printed ?

(ii) treated as a standing order ?

(iii) published in the Gazette, English Part?

(iv) translated ?

(v) placed at the disposal of the press ?

(vi) published in the Gazette, Kannada Part ?

**Sec.** J 28

**File No.** 13-30

**Serial No.** 5

*Proceedings of the Government of His Highness the Maharaja of Mysore.*

*Read*— Correspondence ending with letter No. C.346/30-31 dt 6.1.1931 from the Regr. of Joint Stock Co's in Mysore, forwarding ~~the~~ balance sheet of the Mysore Agricultural Dairy Farm Co. Ltd. Bangalore

Order Thereon No.—as on 31.3.1929, together with the Auditor's report thereon, and requesting for necessary sanction of Govt, for the appointment under Sec. 138 (iv) of the Mysore Companies Regn. of two Inspectors to investigate the affairs of the Company from

9.7.1928 up-to-date, the
Cost being ordered to be
met by the Company, and
proposing the appointment
of Mr. M.K. Sampath Iyengar. B.A
1st Grade Supdt. Comptroller's Office
an officiating
and the A.S.P. ~~Bangalore~~
~~City~~ as such Inspectors.

Order No. 7341-3.
~~Govt. are pleased to sanction the~~
~~Sanctioned~~.
appointment of Mr. M. K. Sampath Iyengar B.A.
as the A.S.P, Bangalore City as Inspectors
for the purpose referred to in the letter of the Regr. read above

Dy Secy
14/1

RR
12/1/31

To the Regr. P.J.S. is in reference
to Comptroller & Govt
" Dy. of Police in reference
" Copy to the Prosecution Branch.

*List of enclosure*

*Copied by*

*Examined by*

WD 02560 -GPB -11,250--2-7-30

Appendix F G—1

SUBJECT.....

.....

.....

Section 5

File No. 13-30

Serial No. 6

No. D 9843

*Diary No. of letter replied to*.....

General and Revenue Secretariat

( )

*the* *193* .

To The Regr Js

Date of issue 27/4/31

Signed by H. C. S. Narumba

Sir,

Adverting to f.o. No. 1

7341-3/ Js 13-30-5 dt 16-1-31

Sanctioning the appointment of

Mr M. K. Sampathgurgar B.A. and

the Asstt Supdt of Police Bangalore

acts as Inspectors to investigate

the affairs of the Mysore Agri-

cultural Dairy Farm Co. Ltd Banga-

I am directed to request you

to be so good as to submit

a report on the results

of such investigation

List of enclosures.....

Copied by.....

Examined by.....

[over

WD 02559—GPB—25,000—25-6-30

as early as possible.

Thanks

24/4

For Dev Sec

J.S. 13-30-7
D 476

GOVERNMENT OF MYSORE.

GEN. & REV. SECRETARIAT. 1 DEVELOPMENT BRANCH.

IN REPLY PLEASE REFER TO
NO. C. 344/30-31.
ENCL. —

Office of the Registrar of Joint Stock Companies in Mysore.

*Dated, Bangalore* 30th July *193* 1

FROM

DEVELOPMENT SECRETARY. 31 JUL. 1931

S. HIRIANNAIYA, ESQ., M.A., B.L.,
*Registrar of Joint Stock Companies in Mysore.*

To

D. Sreenivasa Iyengar, Esq., B.A.,
Secretary to the Government of
His Highness the Maharaja of Mysore,
Development Department.
Bangalore.

S i r,

With reference to Government Order No. 7341/J.S. 1330-5 dated 16th January 1931 appointing Messrs. K. Sampath Iyengar and the Assistant Spperintendent of Police, Bangalore City, as Inspectors to investigate the affairs of the Mysore Agricultural Dairy Farm. Co., Ltd., I have the honour to state that Mr. A. Ranganadham Chetty, B.A., B.L., Advocate, and the Liquidator of the Company is in Madras. He is in the custody of most of the books of the company and has not shown any inclination to help in the investigation work. As he is in Madras, he cannot be compelled either to come or send the books here. I have, however, addressed the Madras High Court to see if they can pursuade him to help in the investigation work.

2. Most of the Account books of the Company have been sent by the Liquidator to the City Magistrate's Court, Mysore, in connection with the case now going on under Section 282 of the Mysore Companies Regulation against some of the old Directors of the Company. The Inspecotrs will be instructed to examine them as soon as the case is disposed of.

I have the honour to be,
Sir,
Your most obedient servant,

Hiriannaiya

REGISTRAR.

Appendix F G—1

SUBJECT.....

.....

.....

Section J.S.
File No. 13-30
Serial No. R

*Diary No. of letter replied to*.....

No. 0956

General and Revenue Secretariat
( )
*the* *193* .

To The Regr Js

Date of issue 13/8/31

Sir,

Signed by W.B.H. Kennedy

With reference to your letter No C 344/30-31 & 30.7.31 ~~reporting~~ copt
Why there has been delay in
investigating the affairs of
the Mysore Agricultural Dairy
Farm Co., Ltd, I am directed
to state that your further
report in the matter is
awaited

List of enclosures.....

I have &c

Copied by.....

Examined by.....

12/8/31
for Secy

[over

GOVERNMENT OF MYSORE.

D 1241/42

No. C.344/30-31

OFFICE OF THE REGISTRAR OF JOINT STOCK COMPANIES IN MYSORE.

ENCLS. None

*Dated, Bangalore, the* 24th September 1931.

5 SEP 1931

DEVELOPMENT BRANCH.

From,

D. SREENIVASA IYENGAR, Esq., B.A.,
Registrar of Joint Stock Companies in Mysore.

To,

DS. 13-30-8

B.T. KESAVAIENGAR, Esq., B.A.,
Secretary to the Government of -
His Highness the Maharaja of Mysore,
Development Department,
B a n g a l o r e.

DEVELOPMENT SECRETARY
24 SEP 1931

Sir,

With reference to your letter No. D.956/J.S. 13-30 dated 13th August 1931, I have the honour to forward herewith a copy of letter No. 194 dated 9th September 1931 received from the Public Prosecutor, Mysore Division and to state that as suggested by him, I have requested the Inspector General of Police in Mysore and the Comptroller to Government to - instruct the Assistant Superintendent of Police, Bangalore City and Mr. M.K.Sampath Iyengar to examine the books of the Mysore Agricultural Dairy Farm Company. Ltd., sent to the - City Magistrate's Court, Mysore, at a very early date. The Liquidator has also been requested to send some person under his employ to Mysore to be present at the time of the - examination.

2. A final reply has not yet been received from the - Honourable the Madras High Court. As soon as it is received it will be communicated to Government.

I have the honour to be,
S i r,
Your most obedient servant,

D. Sreenivasa Iyengar

R e g i s t r a r.

Letter No. 194 dated 9th September 1931 from the Public Prosecutor, Mysore Division, Mysore to the Registrar of Joint Stock Companies in Mysore, - Bangalore:-

" With reference to your letter No. C 344/30-31 dated 19-8-1931 asking to be informed when the Criminal Case against the Directors of the M.A.D.F.Company. Ltd. is likely to be disposed of, I have the honour to state that charges have just been framed against three Directors and the trial has to pass through two more stages, viz: further cross-examination of prosecution witnesses and the defence. If past experience be regarded as a guide to future progress, it is feared that the trial may not terminate for at least six months more if not longer.

The official Liquidator of the company has the custody of all the books except a few that are filed before the City Magistrate. It is to be regretted that the Liquidator is not readily responding to our summons to produce the documents called for.

In connection with the Lottery Case against the Directors a responsible Police Officer was deputed to seize some papers from the custody of the Liquidator. But the latter rendered no assistance to our officer. The result is that there are no tangible materials to proceed with the Case. A summons has however been taken to the Liquidator to cause certain books and papers to be produced before the City Magistrate on 26-9-1931.

In the situation explained above it may be suggested that the work of the Inspectors will be facilitated and expediated by examining the books in the City Magistrate's Court itself instead of waiting till the disposal of the case."

- C o p y -

G. Ramachandra

For Registrar.

RKS

SR

GOVERNMENT OF MYSORE.

IN REPLY PLEASE REFER TO
NO. C 344/30-31
ENCL.

Office of the Registrar of Joint Stock Companies
in Mysore.

*Dated, Bangalore.../ 24* November ...193 1.

FROM

D. SREENIVASA IYENGAR, Esq., B.A.,
~~EXAMINER XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~
*Registrar of Joint Stock Companies in Mysore.*

D 1912

J.S-13-30-9

To

B. T. KESAVAIENGAR, Esq., B.A.,
Secretary to the Government of
His Highness the Maharaja of Mysore,
Development Department,
B a n g a l o r e.

H. H. & REV. SECRETARIAT
18 NOV. 1931
DEVELOPMENT BRANCH.

7/141/11/31

Sir,

In coninuation of this office letter No. C 344/30-31 dated 24th September 1931, I have the honour to state that the High Court of Madras has replied that it has no power to instruct the Liquidator to make the books of the Mysore Agricultural Dairy Farm Company. Ltd., available at Bangalore. I have, therefore, requested the Liquidator to let me know how far he has progressed in the winding up proceedings, and whether he can now arrange to send the books to Bangalore.

2. In this connection, I should like to bring to the notice of Government that the offences under the Companies Regulation are not extraditable and that this is the reason for our helplessness in the matter of compelling the Liquidator to produce the books at Bangalore and to get them examined at once by the Inspectors appointed by Government. This is not the only instance where such helplessness has been felt. In the case against certain Directors of the said Company now going on in Mysore under Section 282, one of the important accused has absconded to Bombay. The case is going on without him as the offence is not extraditable. In the same case the summonses issued to the Liquidator at Madras by the Court have been of no avail as he does not respect them. The penal clause i.e., Sub-Section (5) in Section 277 has not been of any use as the officers of foreign companies reside outside the State and no action can be taken against them for any contravention of the Mysore Companies Regulation. The fact that the offences are not extraditable will also induce several persons who commit offences in the State to get out of it and thus defeat the ends of justice of the State itself in respect of the companies registered therein. In the above circumstances, I request that the Government of India may kindly be moved to declare the offences under the Mysore Companies Regulation as extraditable.

I have the honour to be,
S i r,
Your most obedient servant,

D. Sreenivasa Iyengar

R e g i s t r a r.

RKS

**GOVERNMENT OF MYSORE.**

4S

J. S [illegible] — 30 — 19

IN REPLY PLEASE REFER TO
NO. C 344 31-32
ENCL. 3

**Office of the Registrar of Joint Stock Companies in Mysore.**

*Dated, Bangalore....9th December....1931.*

FROM

D. SREENIVASA IYENGAR, Esq., B.A.,
~~SXHARIANNAIYA, ESQ, MXXBEX~~
*Registrar of Joint Stock Companies in Mysore.*

GEN. & REV. SECRETARIAT
2210
DEVELOPMENT

To

B. T. KESAVA IYENGAR, Esq., B.A.,
Secretary to the Government of -
His Highness the Maharaja of Mysore,
Development Department,
B a n g a l o r e.

MK 10/12
2/11/12

Sir,

10/12

In continuation of this office letter No. C 344/30-31 dated 13th November 1931, I have the honour to forward herewith a copy of letter No. 567/IAD dated 2nd December 1931 together with copies of its enclosures received from the Comptroller in the matter of the examination of the books of the Mysore Agricultural Dairy Farm Co.Ltd., which are in the City Magistrate's Court, Mysore. In the circumstances represented by Mr. M.K.Sampath Iyengar, one of the Inspectors, the investigation - work may be taken up after all the records of the company are received.

(2) The Liquidator has not been responding to the repeated communications of this office as to what progress has been made by him in the winding up proceedings and whether he can now arrange to send the books to Bangalore.

The first statement containing the particulars with respect to the proceedings in and position of the liquidation will become due in this office on the 25th of this month as per Section 244 of Mysore Companies Regulation. A report will be made to Government after its receipt.

(3) As regards the question of the pay of the auditor raised by the Comptroller, a reference will be made to Government when the entire records required for the inspection are received in Bangalore.

9/12

I have the honour to be,
S i r,
Your most obedient servant,

D Sreenivasa Iyengar
R e g i s t r a r.

The Connected file has been transferred to the Prot: Br. on 23/11/31. Which may now be requested to send back early.
GS 17/12 To Prot: Br. with compts
RKS 17/12
(D.No. 2195/31)
Section 27/11/31.

9 The file is forwarded SR
SG 14/12
Further report may perhaps be awaited.
Subject for kind perusal.
GS 15/12
(Secy. Secy)

GEN. & REV. SECRETARIAT
15 DEC 1931
DEVELOPMENT BRANCH.

For perusal.
15/12/31

2211

46

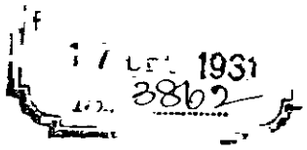
For perusal.

(Macmahon)

16/12

[illegible] 6123

21/12




24/12

To the Private Secretary with Compts for [illegible]
Enclosing back Linked file.

4)

Copy of letter No. 567/IAD dated 2nd December 1931 from the Comptroller to Government of Mysore, Bangalore to the - Registrar of Joint Stock Companies in Mysore, Bangalore:-

" With reference to your letter No. C 344/30-31 dated 3rd November 1931 enquiring whether Mr. M. K. - Sampath Iyengar has been sent to examine the books of the Mysore Agricultural Dairy Farm Co. Ltd., in the City Magistrate's Court, Mysore, I have the honour to forward herewith for information and needful further action copies of the Note and of its enclosures by Mr. M. K. Sampath Iyengar on the inspection of the books available in the Court. I would also request that you will be so good as to intimate who will meet the pay of the Auditor for the period he will be engaged on the audit of the accounts of the Farm. Mr. M. K. - Sampath Iyengar is now drawing a pay of Rs 230/- p.m. with a Deputation Duty Allowance of Rs 30/- p.m."

---

C Rudrappa

For Registrar.

RKS

DR

116

Copy of enclosure No. 1 to the letter No. 567/IAD dated 2nd December 1931 from the Comptroller to Government of Mysore, Bangalore to the Registrar of Joint Stock Companies in Mysore, Bangalore:-

".Reference - Letter No. C 344 dated 24-9-1931 from the Registrar of Joint Stock Companies in Mysore regarding the Inspection of the books of the Mysore Agricultural Dairy Farm Co. Ltd.,

---

" The books that are available in the City Magistrate-'s Court, Mysore, are shown in Appendix No. (1). Government have in G.O.No. D.7341-3/J.S.13-30-5 dated 16-1-31 ordered that the accounts from 9th July 1928 onwards may be inspected. It will be seen from Appendix (1) that a cash book (Ex.p.71) from 22-7-26 to 4-9-29 is the only book relating to the period of inspection available in the Court. The audit of the cash book cannot be usefully taken up unless all the aonnected vouchers, agreements with parties, bills and subsidiary account books (some of which are noted in Appendix (2) are also available. The Inspection can therefore be taken up and completed only if all the records of the Company taken over by the Liquidator are obtained and furnished.

'Copy'

Sd/- K.Srinivasamurthi,
Superintendent,
Comptroller's Office."

---

G. Rudrappa
For Registrar.

RKS

SR

Copy of enclosure No. 2 to the letter No. 567/IAD dated 2nd December 1931 from the Comptroller to Government of Mysore, Bangalore to the Registrar of Joint Stock Companies in Mysore, Bangalore:-

## A p p e n d i x - (1)

Agricultural Dairy Farm Co., Ltd.

Books and records available in the City Magistrate's Court

(1) Ex.p.17 - Cash book from 1-11-25 to 13-3-26
(2) " 9 - Minute Book from 17-5-1924 to 5-12-26 containing proceedings of Director's Meetings.
(3) " 48 - Minute Book from 12-1-25 to 1-7-27 containing proceedi of shareholders meetings.
(4) " 18 - Cash Book from 23-1-25 to 13-2-27
(5) " 20 - Ledger from January 25 to March 27 (with a Balance sheet of 31-12-25 and Profit and Loss Account of March 1927)

(From this ledger balances are shown as carried over to Book IV a the end of March 1927.)

(6) " 72 - Ledger No. 1 for the period May 24 to December 1924.
(7) " 11 - do : II do Dec, 24 to June 26.
(8) " 73 do III do July 26 to March 27

(This book contains accounts of May 24 to September 24 in page) 1 to 152 which are shown as cancelled.

(9) " 70 - Cash book of Head Office from 16-5-24 to 31-7-26
(10) " 71 - do 22-7-26 to 4-9-29.

## A p p e n d i x - (2)

(1) Cheque books and paying-in-slip books and pass books of several banks (Imperial Bank, Bangalore, Mysore City Co-operative Bank, Trichinopoly District Urban Bank, Tanjore Co-operative Central Bank Union, Travancore Peoples Bank, Cuddappah Co-operative Bank South Arcot District Co-operative Bank etc)
(2) Bill books for sale of ghee, Agricultural Implements etc
(3) Acquittance Rool Book
(4) Vouchers for commission and salary paid to Managing Director, Stamp charges, legal charges, travelling expenses, Advertisements and Printing charges etc.
(5) Agreements and files of correspondence with various Organising Inspectors, Supervisors etc in different parts.
(6) Live Stock Insurance Policies Book
(7) Ledger from March 1927 onwards
(8) Minutes books subsequent to May 1927 containing the proceedings Director's and shareholders meeting.
(9) Stock accounts of Dairy produce and other articles.
(10) Shares Register.
(11) Register of Mortgages, Loans etc
(12) Rough and fair cash books subsequents to 4-9-29
(13) All letter records which the Company might have maintained.

'Copy'

Sd/- K.Srinivasamurthi.
Superintendant,
Comptroller's Office.

---

For Registrar.

# Report of Inspection of
# THE MYSORE
# AGRICULTURAL DAIRY FARM Co., Ltd.,
# MYSORE (Bangalore)

V. B. SOOBBIAH AND SONS, BANGALORE CITY.

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## REPORT OF INSPECTION OF

# THE MYSORE AGRICULTURAL DAIRY FARM CO., LTD., MYSORE.

| | |
|---|---|
| Date of Incorporation | ... 9th May 1924 |
| Prospectus filed | .... 12th May 1924 |
| Date of filing of Declaration | .... 14th July 1924 |
| Date of Certificate for above | ... 6th August 1924 |

It is a Limited Company, first started with a share capital of Rs. 50,000 subsequently raised to one lakh, divided into ten thousand shares of Rupees ten each.

### 2. First Directors.

1. Mr. B. Narasimhiengar, B.A., B.L., Advocate.
2. Dr. A. J. Ram, L. M. S.
3. Mr. C. Krishna Sastiy, Retired Sub-Registrar and 1st grade Pleader Mysore.
4. ,, K. Ramanna, Mechanical Engineer.
5. ,, N. Krishnaswamy Row, Zamindar.
6. ,, V. K. Lakshmana Mudaliar, Proprietor, Keragahalli Indigo Estate.
7. ,, S. Sundara Row, B.A., LL.B., Advocate, Mysore.

### Managing Agents.

Messrs. V. K. Lakshmana Mudaliar & Co.

### Scope of Inspection.

3. The irregularities and short comings noticed in the course of audit of the accounts of the Company have been clearly pointed out in the several audit reports placed before the General body of Shareholders at the respective General Meetings. The present investigation goes a little further and endeavours have been made, as far as possible, to examine the several figures shown in the Balance Sheets, as also the causes that have contributed to the heavy loss sustained by the Company.

MANAGING AGENTS—Messrs. V. K. Lakshmana Mudaliar & Co.

4. The firm consisted of three partners, and under an agreement entered into with the Company on 27—7—24., Mr. V. K. Lakshmana Mudaliar was the Organising Managing Agent, Mr S. Sundara Row, Office Managing Agent, and Mr. K. Ramanna, Dairy Managing Agent. The important conditions of the agreement in the interest of the Company were clauses 1 and 9 which are :—

Clause (1) To organise the business on sound basis and see that it works to the full swing, so as to distribute good profits to the Shareholders.

Clause (9) The Managing Agents **shall keep regular and correct accounts of the income and expenses of the Company.**

The above two conditions were more honoured in their breach than in their observance. The second clause above is in strict conformity with Section 130 of the Regulation and also Art. 142 of the Articles of Association : and yet the Managing Agents not only failed to maintain correct accounts but also reduced the Company to a state of insolvency.

5. Two of the partners of the firm, viz., Messrs. Ramanna and Sundara Row resigned so far back as 18th November 1925 and 16th April 1926, respectively. leaving Mr. V. K. L. Mudaliar as the sole member of the Firm. Seeing the chaotic condition to which the affairs of the Company had been reduced, after Mr. Sundara Row's resignation, as Office Managing Agent, the Company should have taken the obvious step of terminating the contract with the Managing Agents, as soon as the partnership of Messrs. V. K. Lakshmana Mudaliar & Co. ceased to exist. But why this was not done is not understood.

6. But as per resolutions passed at the Extraordinary General Meeting held on 15—6—27 and Confirmatory Meeting of 1—7—27, the above agreement as well as the appointment of the said firm of Messrs. V.K. Lakshmana Mudaliar & Co. was cancelled, under clause VI of the Memorandum of Association.

## Managing Director.

7. In para 10 of the Directors' Report to the Shareholders at the General Meeting held on the 10th October 1927, it is brought to notice, that the Directors, on the letter of consent given by Mr. V. K. Lakshmana Mudaliar, appointed Mr. J. Shankar Lall as Managing Director in July 1926, though in the Articles of Association no provision existed for such an appointment. A return of change of Directors was also filed with the Registrar on 26th July 26. But the abstract of the exact nature and terms of the contract was not notified to the shareholders, as required in section 91C (1) of the Companies Regulation.

8. Mr. Shankar Lall resigned in November 1926 and was succeeded by Mr. Gangaraju, the present Managing Director and a separate agreement was entered into with him, an abstract of which was duly forwarded to the shareholders and Articles 118(c) and 120 of the Articles of Association suitably modified by special resolutions providing for such an appointment.

## Prospectus of the Company.

9. Excepting the last two, viz., those dated 21st December 27 and 20th April 28, the previous ones are not dated as required in section 92 of the Regulation. Before these two, another was issued after Mr. Gangaraju was appointed Managing Director and references in the report are to this prospectus, unless otherwise stated.

10. Coming to the latest, *i. e.*, the one dated 20th April 28, it has to be stated that paras 6 and 7 in page 5 are not correct for the following reasons.—

(1) The two hundred fully paid up shares allotted in favor of Mr. Kenchiah, in connection with the purchase of Mrs. Kenchiah's lands are not for cash.

(2) The above lands measuring about 34 acres, known as the Dharmapuri Estate, Bilikere Hobli in the Hunsur Taluk was purchased by the Company in June 25 and part consideration of the purchase money payable under the pronote dated 28—10—25 is still due to the vendor. It is not, therefore, understood how far the statement made in para 7 that no property has been acquired or purchased from vendors and no amount has been paid for the same is correct.

## Memorandum and Articles of Association.

11. Though the objects for which the Company was started are very many, as enumerated in clause III of the Memorandum, the main object was more for personal benefit at the expense of the Shareholders and policy holders, as may be seen from sub-clauses (*h*) and (*i*). *viz* :—

(*h*) To acquire and purchase the existing stock in trade of the Keragahalli Indigo Estate, owned by Mr. V. K. Lakshmana Mudaliar, the Chief Managing Agent.

(*i*) To take on lease the above Estate under certain conditions.

12. As regards (*h*), the Directors were unanimously against the purchase and hence it was given up.

13. As regards the other, *i. e.*, the lease of the Indigo Estate, an agreement was entered into between the Company and Mr. V. K. Lakshmana Mudaliar, whereby the Company undertook to pay to Mr. V. K. Lakshmana Mudaliar an annual rental of Rs 1,000 and not exceeding 10% of the profits, together with an advance of Rs. 1,500 in the first year; (2) to convert not less than forty acres of dry land into bagayet by growing cocoanut palms within a period of five years from the date of the agreement, and also some other terms most favourable to Mr. V. K. Lakshmana Mudaliar. Mr. Sundara Row's remarks in this connection are, as follows :—

" His whole proposed agreement shows clearly that he himself wants to make as much money as possible, out of public funds, and the Company would reap only little or no profits."

" Another dubious clause is clause (2) which entangles the Company in the long run in the web woven by Mr. V. K. Lakshmana Mudaliar ".

14. The chief points deserving of mention in this connection are :—

(*a*) The estate was not the absolute property of Mr. V. K. Lakshmana Mudaliar, as it was granted to him by Government for an upset price of Rs. 500 (Rupees five hundred only) on 18-6-19, under certain conditions for a period of ten years. The conditions not having been fulfilled, the Government have, in their Proceedings No. R. 7049/L. R. 120-26-5, dated 27—4—27, ordered the resumption of the estate.

(*b*) As at first arranged at the Board Meeting, the lease was for ten years ; but when the lease deed was taken to the Sub-Registrar's office for registration, there were interlineations and unauthorised corrections changing ten years into twenty.

(*c*) That the Estate had already been mortgaged to Mr. B. Narasimha Iyengar, a Co-Director and Legal Advisor of the Company for Rs. 13,500 (Rupees thirteen thousand and five hundred only) for a term of six years from 1921.

(*d*) That about fifty acres of the Estate had already been leased out to several ryots for varam cultivation for long periods, ranging from five to ten years and even these leases had not been transferred to the Company.

(*e*) Though under section 91 A of the Companies Regulation, full disclosure of all the above facts should have been made, neither Mr. V. K. Lakshmana Mudaliar nor Mr. Narasimha Iyengar disclosed them to the Directors until Messrs. Sundara Rao and Krishnamoorthy Sastry, who inspected the leased Estate, strongly condemned the idea of the lease. Consequently this was also given up.

15. One peculiar feature noticeable in connection with this lease affair is that everything was done in a reverse order, *i. e.*, the agreement is first executed on 27—7—24 and registered on 20—9—24, then the estate is inspected by Messrs. Sundara Row and Krishnamoorthy Sastry in company with Mr. V. K. Lakshmana Mudaliar on 25—10—24, and also by Mr. K. Ramanna on 16—11—24. The report of the Directors not being favourable, the question was again considered by the Board at their meeting held on the 6th December 1924, when an amendment was proposed by Mr. V. K. Lakshmana Mudaliar and the matter remained unsettled.

16. The remarks of Mr. Sundara Row in his inspection report under the heading "E. **Impediments to the successful working of the Agricultural Dairy Farm at Keragahalli**" deserves special mention.

"It is a pity that Mr. V. K. Lakshmana Mudaliar, being Director, Promoter and above all, the lessor of the property has been silent on the defects existing in the property, which he is, according to law, *i. e.*, the Transfer of Property Regu-

lation, section 108 cl. (a) bound to disclose to the lessee. One other sorrowful factor is, at the time of discussing the terms of the lease, all argument was cut short by both the Chairman and Mr. V. K. Lakshmana Mudaliar as to the yield data to be furnished and the time which I and Mr. C. Krishnamurthy Sastry wanted to think over the terms of the agreement, and, if possible, to inspect the estate prior to entering into the agreement—Albeit, it is never too late to mend".

17. Meanwhile, the subject came up for discussion at the Statutory Meeting of the Shareholders, held on the 12th January 1925, where it was rejected by the majority of the Shareholders [Vide also Mr. Sundara Row's note, dated 7—2—25. (App. A) ]

18. In this connection it has to be stated that the Directors at their meeting held on the 10th July 1924 passed the draft lease and also resolved that Messrs. Sundara Row and C. K. Sastry should inspect the estate and report. If the inspection had been conducted in time and the report placed before the Board before the lease deed was finally fair copied and presented for registration, all the worries and subsequent complications involving in loss, both to the Company and the party, could have been avoided.

19. Thereupon Mr. V. K. Lakshmana Mudaliar proposed an amendment, whereby he was to be granted a loan of Rs. 5,000 (Rupees five thousand only) for the improvement of his lands, repayable in 12½ years with interest at 12 per cent per annum, on the security of the seigniorage commission earned by him under cl. 5 of his agreement. Under this clause, Mr. V. K. Lakshmana Mudaliar was to get a commission of one and half anna per annum (subsequently reduced to half-an-anna) for every live stock certificate in force, on the roll of the Live Stock Compensation Bureau, which meant that the interest of Rs. 7,500 at Rs. 600 per annum was to be discharged in 12½ years, provided not less than 19,200 animals are kept on the roll for that period. Considering the fact that out of 3,347 animals registered to end of June 27, *i. e.*, during the three years that Mr. V. K. Lakshmana Mudaliar continued as Chief Organising Agent, only 74 have been on the rolls at present, it is a matter for consideration whether this loan will ever be discharged at all.

20. The amended proposal was then brought up at the meeting of the **Organising Committee** held on 10—2—25, when it was resolved that the original lease be considered as cancelled by mutual agreement, sanctioning in its stead, the loan of Rs. 5,000 asked for, on the security of the seigniorage commission. Meanwhile Mr. V. K. Lakshmana Mudaliar had drawn Rs. 720 out of the advance of Rs. 1,500 stipulated in the lease, and in consideration of the cancellation of the lease, it was further resolved at the same meeting that the lease advance of Rs. 720 above referred to, be written off the accounts.

21 One noteworthy point connected with the sanction of this big loan of Rs. 5,000 by the Organising Committee is that this Committee consisted of Messrs. C. K. Sastry, (chairman), (2) N. Krishnaswamy Row, (3) K. Ramanna, (4) V. K. Lakshmana Mudaliar and (5) S. Sundara Row, of whom Messrs. Sundara Row and Krishnaswamy Row subsequently withdrew their consent on 24—2—25, before effect was given to the Resolution. Copies of their letters dated 24—2—25 to the Chairman, Organising Committee, are attached (vide App. B & C) and Mr. V.K. Lakshmana Mudaliar, was the party interested in the transaction: whether, under such circumstances the sanction accorded by the Organising Committee may be considered as valid, it is not possible to say.

22. The irregularities connected with this loan are :—

(1) Under the rules of the constitution, the Managing Agents were empowered to sanction loans up to Rs. 100; loans above Rs. 100 and up to Rs. 500 required the sanction of the Finance Committee, and above Rs.500, of the Board and that too in special cases only (vide copy of the rules—App. D). The

Organising Committee had no financial powers of any kind, and consequently, the sanction of the loan as well as the writing-off of the lease advance of Rs. 720 was irregular.

(2) Evidently the Board of Directors seem to have realised the irregularity and at their meeting held on 28—2—25 resolved that Mr. V. K. Lakshmana Mudaliar be advanced an additional loan of Rs. 500 (Rupees five hundred only) on the bond, dated 27—2—25, executed by him in favor of the Company; the first loan of Rs. 500 having been already sanctioned by the Finance Committee at their meeting held on 5—2—25, they thereby ratified the action of the Organising Committee, so far as the loan of Rs. 1,000 (Rupees one thousand only) was concerned."

23. From the above, it is clear that no further loan was sanctioned and yet Mr. V. K. Lakshmana Mudaliar managed to draw petty amounts aggregating Rs. 375 from the Head Office on On-demand Pronotes and payee's receipts, as detailed in the margin, and it is astonishing how, Mr. Sundara Row, the Office Managing Agent and the custodian of office cash and cash-book paid those additional amounts, from time to time, as Mr. V. K. Lakshmana Mudaliar presented vouchers, without the sanction of the Board.

| | | | | | |
|---|---|---|---|---|---|
| 16— 4—25 | ... | Rs. | 50 | 0 | 0 |
| 29— 4—25 | ... | „ | 50 | 0 | 0 |
| 4— 5—25 | ... | „ | 20 | 0 | 0 |
| 21— 5—25 | ... | „ | 50 | 0 | 0 |
| 26— 5—25 | ... | „ | 30 | 0 | 0 |
| 6— 6—25 | ... | „ | 30 | 0 | 0 |
| 7— 7—25 | ... | „ | 50 | 0 | 0 |
| 16— 7—25 | ... | „ | 50 | 0 | 0 |
| 10— 8—25 | ... | „ | 10 | 0 | 0 |
| 15— 8—25 | ... | „ | 15 | 0 | 0 |
| 24— 9—25 | ... | „ | 15 | 0 | 0 |
| 10—10—25 | ... | „ | 5 | 0 | 0 |
| | | | 375 | 0 | 0 |

24. In addition to the above, another Rupees four hundred was also drawn similarly from the Dairy without sanction, which, as Mr. Sundara Row calls it, is "**mere misapplication of Company's funds if not misappropriation.**"

25. Now that the two sub-clauses (*h*) and (*i*) of clause III of the Memorandum relating to the purchase of the Stock-in-trade and taking on lease the Keragahalli Indigo Estate owned by Mr. V. K. Lakshmana Mudaliar have been cancelled, they have since been deleted from the Memorandum, as per special resolutions passed at the Extraordinary General Meeting held on 15—6—27 and the Confirmatory Meeting held on 1—7—27, and the requirements of sections 12 and 15 of the Companies Regulation have been complied with, the other sub-clauses numbering from (*a*) to (*x*) are still retained: and excepting sub-clauses (*j*), relating to Live Stock Compensation Scheme and (*n*) relating to loans, the other clauses intended for the benefit of the public and the shareholders have been relegated to the background. Dairies were no doubt started and were also doing good business for some time, but owing to mismanagement and selfishness on the part of the Managing Agents, the whole Dairy concern ended in a miserable failure, and the Dairy was closed from 1st April 26, and though more than two years have already elapsed, no attempt is being made to revive the same.

## Purchase of Mrs. Kenchiah's Estate.

26. The Keragahalli Indigo Estate lease affair having proved a failure, the Directors arranged to purchase Mrs. Kenchiah's lands, measuring about 34 acres of jungle in the Bilikere Hobli, Hunsur Taluk, known as the Dharmapuri Estate, for a sum of Rs. 5,000 (Rupees five thousand only). Both Mr. & Mrs. Kenchiah sent in an application to the Managing Agents (Messrs. V. K. Lakshmana Mudaliar & Co.) on 25—5—1925, stating that the lands were full of standing trees, such as Hunsay, Dhindal, Nerle and other jungle wood to the extent of nearly **thirty thousand Rupees worth** of fuel and that they were prepared to sell the same to the Company for Rs. 6,000 of which Rs. 1,000 was to be paid immediately at the time of registration of the sale deed, another Rs. 1,000 within a year and for the balance of Rs. 4,000 they were prepared to take four hundred fully-paid up shares in the Company.

27. The proposal seems to have emanated from Mr. K. Ramanna (vide his letter dated 4th June 1925 to Messrs. V. K. Lakshmana Mudaliar and Sundara Row). Thereupon Messrs. Sundara Row, V. K. Lakshmana Mudaliar, C Krishna Moorthy Sastry and Ramanna (Directors) in company with Mr. Kenchiah visited the Estate and gave a very glowing estimate of the property, Mr. G. Sundara Row estimating the standing fuel between seven and eight thousand cartloads (2) Mr. V. K. Lakshmana Mudaliar estimating the expected sale proceeds of fuel alone at Rs. 10,000, (3) Mr. Ramanna putting the least out turn on wood or fuel at ten to fifteen thousand cartloads, and even calculating at Rs. 2 per cartload estimated the income at about Rs. 20,000, while Mr. Krishna Sastry, though somewhat diffident, stated that, considering its distance from Mysore and the difficulty of transport, the estimation of receipts calculated was in his opinion, too high. He however said that the bargain was worth making, with a view to build some kind of assets in immoveable property. The file of inspection reports was sent round for circulation to Messrs. B. Narasimmiengar and A. J. Ram, who also gave their consent to the purchase, on the strength of the recommendations made by the Managing Agents and an independent Director. The bargain was struck and the sale deed was executed for Rs. 5,000 (Rupees five thousand only) on 9th June 1925, on the following conditions :—

(1) Rs. 1,000 to be paid at the time of registration.

(2) Rs. 2,000 to be paid in two years at Rs. 1,000 per annum, *i. e.*, in 1926 June and 1927 June, or in case of default, with interest at 6% per annum from the due date to date of payment.

(3) For the remaining Rs. 2,000, two hundred fully paid up shares to be allotted.

28. Accordingly Rs. 300 (Rupees three hundred only) was paid in cash at the time of registration of the document, *i e.*, on 9—6—25, and a Pronote executed for Rs. 700 in favor of Mrs. Kenchiah payable 90 days after date. The pronote having been finally endorsed in favour of Sahukar Banumiah on 18—7—1925, he filed a suit against the Company in the Court of the first Munsiff, Mysore, and recovered Rs. 847 including interest and Court costs.

29. Meanwhile, one Mr. G. N. Nanjunda Row, an ex-Forest Officer, who had accompanied the Managing Agents to the Forest area and Mr. Narain Iyengar, Agricultural Monegar, Hunsur, who were deputed to inspect the lands, made a detailed survey of the Estate and gave it, as their opinion, that the Estate did not contain the number of trees as represented nor was it worth more than one thousand rupees at the utmost and that the price paid by the Company was exhorbitant.

30. As the reports of the Directors and of the Forest Experts regarding the number of standing trees and the valuation of receipts were quite conflicting, a notice was sent to Mr. and Mrs. Kenchiah on the 12th September 1925, stating that there was misrepresentation of facts &c., and asking them to come and settle matters personally within a week.

31. After some correspondence both Mr. and Mrs. Kenchiah came to a compromise on 28—10—1925, and as per mutual understanding they acknowledged receipt of Rupees two thousand in full satisfaction of the sale deed consideration, as well as refund of Mr. Kenchiah's payment of advance of calls on his shares in the following terms :—

"Rupees three hundred already received at the time of registration of the sale deed and rupees three hundred and fifty received to-day, and a promissory note for rupees one thousand three hundred and fifty, *i.e.*, all comes to two thousand in full. And on receipt of the amount due to us on the above said a pronote, we will return you the hundi for Rs. 700, dated 9—6—1925, executed by you in our favour with endorsement that it stands cancelled by mutual consent. In the meanwhile, if any steps are taken against you on account of the hundi for rupees seven hundred we will be held responsible to redress you in the matter.

32. One important point noticed in this connection is that in the natural course of events, the question of misrepresentation and the consequent reduction in the sale consideration should have been placed before the Board of Directors or the Sub-Committee, before arriving at the revised settlement.

33 But in this case also, as in the case of the Keragahalli Estate lease, the agreement is effected first, *i.e.*, on 28—10—25, and the proposition is brought up before the Sub-Committee at their meeting held on the 4th November 1925, the proceedings in this connection being as follows :—

"Proposed by Mr. B. N. Iyengar and seconded by Mr. C. K. Sastry that reduction in the payment of the consideration amount from Rs. 5,000 to Rs. 2,800 be accepted, as per details noted, under the circumstances of expediency. The details are noted in the margin.

| | | | | |
|---|---|---|---|---|
| Rs. | 800 | 0 | 0 | Share application and allotment on 200 shares by Mr. Kenchiah |
| | 300 | 0 | 0 | Paid on date of registration |
| | 350 | 0 | 0 | Paid on date of revised settlement |
| Rs. | 1,450 | 0 | 0 | |
| | 1,350 | 0 | 0 | To be paid |
| Rs. | 2,800 | 0 | 0 | |

The Managing Agents would see that the amount is paid from the assets of the Company. If this procedure is not possible, they will pay the same from their pockets and adjust when funds available, from the Company. The amount of share calls paid in advance by Mr. Kenchiah may be refunded to him, as per letter dated 27—10—25, in adjustment of the above consideration of the sale."

" Carried unanimously."

34. It is strange that in the above resolution also, no reference is made to the pronote for Rs. 700 executed on 9—6—25. As regards refund of share calls Mr. Easwariah seems to have taken a technical objection and even contended that against Rs. 2,800, as per revised settlement, the Company had actually paid Rs. 2950, *i. e.*, Rs. 950 in cash and Rs. 2000 by adjustment to shares or Rs. 150 in excess. This argument does not, however, appear to be correct in the face of the revised settlement of 28—10—25, whereby Rs. 2000 (Rupees two thousand only) is payable to Mrs. Kenchiah in cash, as detailed in para 31 *supra*, in addition to the adjustment of another Rs. 800 towards application and allotment on 200 shares to be newly allotted in favour of Mr. Kenchiah, in lieu of the 200 fully paid up shares originally allotted and which automatically stands cancelled.

35. All that is now required is that the advance of share calls viz., Rs. 1,200 adjusted towards the first 200 fully paid up shares is withdrawn *i.e.*, by debit to share calls and credit to land account, intimating Mr. Kenchiah of the same.

36. This arrangement will be in strict conformity with the revised settlement as well as the resolution of the Sub-Committee and without hardship to either party.

37. From the above, it will be seen that Mr. and Mrs. Kenchiah have no other claim on the Company except the pronote for Rs. 1,350, subject to the adjustment of the first pronote for Rs. 700 executed on 9—6—25 and which has been paid off to Mr. Banumiah under a decree of the civil court with interest and Court costs, and also another sum of of Rs. 300 paid on 5—12—25, the balance payable being only Rs. 350 towards principal.

38. The noticeable points in this transaction are—

(1) The cost price of the land paid by Mrs. Kenchiah to Govt. was Rs. 323-7-0, as per Treasury receipts produced and yet what made the managing agents to bargain it for Rs. 5,000 (Rupees five thousand) and that after hundreds of cart loads of fuel had been removed by Mr Kenchiah is a mystery.

(2) That there was fraud and misrepresentation is patent from the fact that from Rs. 5000 the sale consideration is suddenly reduced to Rs. 2,800, which is a little over half the original amount.

(3) Though Mr. Kenchiah in his application dated 27th October 25 asked for the cash refund of Rs. 1,200 shown as credited towards share calls, the managing agents readily sanctioned the same, the very same day, subject to confirmation by the Sub-Committee and on the following day, the mutual agreement is effected wherein no mention is made of the cash refund to be made; and yet when the matter came up before the Sub-Committee at their meeting held on 4th November 25, a resolution is passed sanctioning the same (vide para 33 supra). Though at the meeting there were the framers of the Memorandum and Articles of Association, somehow or other they seem to have lost sight of the fact that such refund was not permissible under the rules.

(4) The same Sub-Committee realising the irregularity somehow, resolved as follows; at the adjourned meeting held on 6—11—25.

RESOLUTION No. 1:—" That as the transaction was entered into without a resolution of the Board or Committee, the managing agents are requested to use their best discretion in converting the same into a profitable concern immediately." Though more than two years have elapsed, the resolution has remained a dead letter and the Estate does not fetch even the kandayam of Rs. 28 and odd payable to Government every year.

(5) For some reason or other, the pronote for Rs. 700 executed on 9—5—25 was being ignored at every stage, both by the Managing Agents and Mr. Kenchiah.

(6) To avoid complications and unnecessary litigation, the present Managing Director came to a compromise with Mr. Kenchiah, just before the General Meeting of the 10th October 27, offering to pay to Mr. Kenchiah Rs. 350, being the balance of principal and Rs. 100 towards interest or Rs 450 in all in final settlement, on condition that Mr. Kenchiah surrenders his 200 fully paid up shares, to which, Mr. Kenchiah readily agreed. The matter was placed before the General Body and with their concurrence, the amount was offered to be paid ; but Mr. Kenchiah has changed his mind and now claims Rs. 1,050 towards the pronote and Rs. 882 towards interest thereon at 3 % per mensem, ignoring the pronote for Rs. 700 altogether, notwithstanding the fact that this pronote made over by him to Mr. Banumiah has been discharged by the Company with interest and Court costs.

(7) With a view, however, to ascertain the real state of affairs, the present Managing Director and the undersigned with Mr. Narayana Iyengar, the Agricultural Monegar who first inspected the lands, inspected the Estate on the 8th February last and were convinced that the reports of the Managing Agents were highly exaggerated.

(8) Another important point noticed in this connection is, that throughout, the correspondence, the parties on both sides, the Managing Agents as well as Mr. Kenchiah, acknowledge cash payment of Rs. 950 till the end of December 25, in addition to the adjustment of Rs. 2,000 towards shares. But the Cash-book and Ledger for the corresponding period show only Rs. 2504-2-0 (vide Balance-Sheet for 31st December 25) or Rs. 445-14-0 less. Rs. 300 drawn from the Mysore City Co-operative Society and paid to Mrs. Kenchiah on 5—12—25, had been left out on both sides of the account and adjusted only in March 27.

39. Apart from all the above, another matter of no less importance is whether the 200 fully paid up shares issued in favour of Mr. Kenchiah on 9—6—25, were for cash, or only an adjustment entry. This question seems to have been raised by the Registrar also in his letter No. 323, dated 31st May 26, and the Managing Agents in their letter No. 5338 dated 1st June 26 have replied stating that "the transaction being one of cash consideration, it does not fall under the provision of section 104 (1) (*b*) of the Companies Regulation." It may be stated in support of this contention, that the land belonged to Mrs. Boramma, wife of Mr. Kenchiah and not to Mr. Kenchiah, in whose name the shares were taken.

This, it must be stated, is only a subterfuge, and does not appear to be a fact for the following reasons.—

(1) The balance of cash on hand on 9—6—1925, as per rough cash-book, was Rs. 8-6-5 and as per fair Rs. 115-14-0 only, and consequently no amount was available for payment to Mrs. Kenchiah.

(2) The next question for consideration is whether Mr. or Mrs. Kenchiah could have paid cash for the 200 fully paid up shares taken on behalf of Mr. Kenchiah. If, as a matter of fact, the transaction had been one of cash consideration, where was the necessity to bring in the question of adjustment of this amount in the sale deed, unless it be to evade the rule in the Prospectus, as also section 104 (1) (*b*) of the Companies Regulation? Moreover, the voucher for the payment of this amount, (included in Voucher No. 1104) is not also forthcoming. In support of this argument, I would invite reference to the statement of Mr. Sundara Row made before the First Munsiff, Mysore, in O. S. No. 571 of 1925-26 (Mr. Banumiah *versus* Company), which runs as follows:—

The consideration for the sale was Rs. 5000. Exhibit I is the sale deed. The details of consideration are—Rs. 300 paid in cash, Hundi for Rs. 700 payable in 90 days, **Rs. 2,000 in the shape of fully paid up shares in the Company** and Rs. 2000 to be paid in two years."

40. The bold typed portion in the above does not and cannot ever mean that cash was paid. Instead of treating this transaction by a journal entry, the amount was adjusted in the cash-book itself, to overcome the rule, that no shares are to be allotted otherwise than for cash.

41. It is thus clear that the report to the Registrar on 1—6—1926, referred to above is not correct and the case clearly falls under section 104 (1) (*b*) of the Regulation. It is therefore a matter for consideration whether the Managing Agents who have signed the reply to the Registrar are not liable under section 104 (3) of the Regulation.

## Shares.

42. One of the clever methods adopted by the Managing Agents to popularise the Company's shares was the institution of a bogus lottery, in advertising which they offered one hundred prizes of Rupees one-hundred, and fifty prizes of Rs. 250 to the first 150 subscribers of five and ten shares respectively, between the 26th June and 15th July 24, by promising to distribute Rs. 4,500 among 30 subscribers per annum during the first five years, out of the expected income of Rs. 90,000 from Live Stock Registration of the 30,000 animals guranteed by the Chief Agents of Mysore and Bangalore Districts by setting apart 15 o/o thereof or Rs. 13,500, as reserve for such distribution.

(NOTE.—The amount required for five years at Rs. 4,500 per annum is Rs. 22,500. But being a purely Utopian scheme, perhaps this was not seriously thought of.)

43. Though this inducement had a salutary effect, there has been no prize distribution so far. The explanation of the Board of Directors in reply to the question raised in the anonymous petition is as follows:—

is no lottery. **The shareholders have a permanent right as shareholders in the Company as well.** The prizes were offered on the guarantee of Cattle Insurance offered by the District Agents of Mysore and Bangalore, who have failed miserably, as per terms of their agreement.

44. The meaning of the second sentence is not quite clear. Considering the fact that the Company has not been able to register even 7,500 animals during the last four years, it is a matter for consideration whether this hope will ever be realised at all.

45. One serious irregularity noticed in this connection is the objectionable or rather the dishonest means suggested by Mr. Ramanna as disclosed in

his letter dated 12—7—24 to Mr. V. K. Lakshmana Mudaliar, asking him "to see that these gentlemen, viz., Mr. Venkatagiriappa, Mr. Narayana Iyengar, Mr. Venkatasubbiah and Mr. Chennappa, Inspector, will get a prize.' From this letter, it is clear that underhand dealings and foul play were under contemplation and that Messrs. V. K. Lakshmana Mudaliar and Ramanna at least had conspired to defraud the public with false hopes. Copies of the English and Kannada Prospectus of the lottery, as also of Mr. Ramanna's letter are attached (vide App. E, E1, and E2).

## General Meetings and Directors' Reports.

46. Statutory Meeting—The Company having been authorised to commence business on 14th July 1924, this Meeting which was held on the 12th January 1925, was regular and the requirements of section 77 were complied with.

One slight irregularity noticed is that in para 1 of the Directors' Report, the number of shares allotted is shown as 3,586, while as per Prospectus and Accounts it is 3,587.

47. Under Articles 57 and 145 of the Articles of Association, the first and second General Meetings should have been held in 1925 and 1926 and the Balance-sheets for 31st December 1924 and 31st December 1925 presented to the share-holders not later than the 30th April 1925 and 30th April 1926 respectively. But owing to differences between the Director and the Auditor, this could not be done. A General Meeting was, however, held on the 12th May 1926, but for some reason or other, it was declared invalid.

48. The matter having been brought to the notice of the Registrar, he inspected the Office of the Company on the 11th July 1926, and the result of his inspection was communicated to the Managing Agents in letter No. 480, dated 3rd August 26, warning them with penalties under the Regulation, unless the General Meeting was held and copies of Balance sheets submitted within a month.

49. The first ordinary General Meeting was thereupon held on 30-9-26 and continued to 3—10—26 also. Copies of the proceedings of the Meeting and the several returns due under the Regulation were submitted to the Registrar on the 12th October 1926.

50. Under Art. 145 of the Articles of Association, the Balance-sheet and Profit and Loss account should have been made up to 31st May 1926, *i. e.*, up to a date not more than four months before the meeting. But as the Balance-sheet presented was up to 31st December 25, the accounts were five months behind.

51. At this General Meeting it was resolved that a Committee consisting of Messrs. C. Krishnamoorthy Sastry, K. R. Iyengar, R. K. Naidu and Easwariah be formed to investigate into the accounts and general affairs of the Company, and submit their report on or before the 31st December 1926. To this same Committee was also referred the question of deficit of cash balance of Rs. 648-9-8 in the Dairy.

52. The Directors' Report and the Balance sheet and Profit and Loss account were provisionally accepted subject to the above observations. But as Mr. C. K. Sastry died before the Committee commenced regular work, the Committee dissolved of itself and nothing was done.

53. The next General Meeting was the Extraordinary Meeting held on 15—6—1927, and its Confirmatory Meeting held on 1—7—1927. The extraordinary resolutions passed at the first meeting and the special resolutions confirmed in the second were filed with the Registrar on 24—6—1927 and 11—7—1927 respectively.

54. The Special Resolution was confirmed by the District Judge, Mysore, on 23—9—1927, as required by section 13 and a certified copy of the order was filed with the Registrar on 21—12—1927, agreeably to section 15(1) of the Regulation.

55. The 2nd Ordinary General Meeting was held on 10—10—27; though this was held within 15 months of the first, still the condition laid down in Art. 145, that the accounts should have been made up to a date not more than four

months before the meeting was not complied with. The Balance-Sheet for 31st March 1927 should have been presented to the shareholders not later than the 31st July 1927. There was thus a delay of nearly 2½ months, but the same has been condoned by the Registrar, on application.

56. The Special Resolutions passed in the Second Annual Meeting were filed with the Registrar on 14—11—27.

## Accounts.

57. The business of the Company was divided into two Departments, viz., Head Office and Dairy, each department maintaining its own Cash-books, Ledgers &c In neither of these departments was the cash-book maintained with that care and attention that it deserved.

58. **Head Office.** This Department was under Mr. Sundara Row, Office Managing Agent, from the commencement up to 15th April 1926, and on the following day he handed over charge to Mr. V. K. L. Mudaliar, the Chief Organising Agent with a cash balance of 0-4-5 (annas four and pies five) as arrived at in the Rough Cash-book.

59. Four rough cash-books and one fair cash-book were maintained in this department, of which the fair cash-book and rough cash-books Nos. 3 and 4 only seem to have been placed before the Auditor (Mr. Easwariah) for check. The other two seem to have been since found and were produced in the course of the present investigation.

60. The periods from and to which each book was maintained and the state of the cash balance as shown therein are given in the annexed statement.

| | First Rough Cash Book i.e. 23-5-24 to 13-10-24. | II. Rough Cash Book 1-11-24 to 10-12-24. | III. Rough Cash Book. 16-5-24 to 8-12-24. | IV. Rough Cash Book. 16-5-24 to 20-8-24 & 1-1-25 to 20-1-25 & 31-1-25 to 18-7-26. | Fair Cash Book. |
|---|---|---|---|---|---|
| 31— 5—24 | 1 7 0 | ... | 1,445 10 0 | —4 6 0 | 1,445 10 0 |
| 30— 6—24 | 1 0 0 | ... | 1,506 9 0 | 60 1 6 | 1,506 9 0 |
| 31— 7—24 | 15 7 6 | ... | 2,171 9 9 | 1,463 3 3 | 2,046 9 9 |
| 31— 8—24 | 4 10 6 | ... | 1,891 15 11 | ... | 1,499 11 2 |
| 30— 9—24 | 1 7 6 | | | | |
| Op. B. 1—10—24 | 22 11 9 | ... | 1,980 1 8 | ... | 1,356 3 11 |
| 31—10—24 | | | 4,476 5 3 | | |
| Op. Bl. 1—11—24 | ... | 18 0 7 | 4,238 0 7 | ... | 1,573 8 0 |
| 30—11—24 | ... | ... | 967 6 11 | ... | 1,524 10 11 |
| 10—12—24 | ... | 17 5 0 | ... | ... | 1,608 13 11 |
| 20—12—24 | ... | ... | ... | ... | 212 11 6 |
| 31—12—24 | ... | ... | ... | ... | 52 11 6 |
| 1— 2—25 | ... | ... | ... | ... | 103 7 1 |
| 31—10—25 | ... | ... | ... | 30 12 2 | 45 9 3 |
| 31—12—25 | ... | ... | ... | ... | 15 2 4 |
| 16— 4—26 | ... | ... | ... | 0 4 5 | 39 5 10 |

61. In the rough cash book No. 1, *i. e.*, from 23—5—24 to 13...10—24, the receipts are all from Mr. Sundara Row and Mr V K. Lakshmana Mudaliar, while the payments agree with the fair cash book. This is more of the nature of an imprest account. One noteworthy point noticed in this cash book is that the closing balance on 30—9—1924 is shown as Re. 1-7-6, while the opening balance on 1—10—1924 is shown as 22-11-9, and both of these are attested by Mr. Sundara Row.

62. The second rough cash book is from 1—11—1924 to 10 -12—1924.

63. The third is from 16—5—1924 to 8—12—1924. In this cash book daily balances have not been correctly worked out. Besides mistakes in posting, such as entering in cash column instead of Bank and *vice versa*, as in page 12, there have been mistakes in totalling also. As per pencil totals, given in pages 90 and 91 of the cash book at the end of November 1924, *viz.*, Rs. 3,189-10-6 and Rs. 2,222-3-7, the closing balance ought to be Rs 967-6-11. But against this balance, expenditure to the extent of Rs. 959-13-0 has been recorded to end of December 1924, without any entries on the credit side, and there are also Mr. Sundara Row's initials at the end of each page.. Though credits to the extent of Rs. 1,343 have been recorded in the fair cash book, the same have not been shown in the rough.

64. Rough cash book number 4 from 16—5—1924 to 20—8—1924, and from 3—1—1925 to 20—1—1925, and again from 31—1—1925 to 18—7—1926. This cash book is initialled by Mr. Sundara Row every day till 16 4—1926, the date of his handing over charge to Mr Mudaliar and thereafter by the latter, and attested by the Chairman at the end. One peculiarity noticed here is that in page 45 of this book beginning from February 25, Mr. Sundara Row has remarked as follows :—

"Correct katcha accounts begin from February 1925."

65. The reason therefor is not far to seek. In page 43 of this cash-book, the transactions to end of 20—1—1925 are recorded and a cash balance of Rs. 25-10-3, struck at the close of the day. But at the bottom of this page are the following notes in red ink:—

| | | | | | |
|---|---|---|---|---|---|
| Rs. | 22 | 8 | 0 | A. J. Ram. | |
| | 2 | 0 | 0 | H N. Row. | Paid Mr. A. J. Ram. Sitting Charges on 8—9—25 or so Rs. 22-8-0 |
| | 1 | 0 | 0 | S. S. Row. | |
| | 0 | 2 | 3 | Sundry | |
| | 25 | 10 | 3 | | |

66. The right hand portion, viz., "Paid Mr. A. J. Ram sitting charges on 8—9—1925 or so—Rs. 22-8-0" appears to be in the hand-writing of Mr. Sundara Row. There are no further entries from 21st to 30th January 1925 : and again the cash-book commences from 31—1—1925 **with a nil balance** and the closing balance for the day is **pies two**: and this is also dropped, the cash book from 2—2—1925 again commencing with a **nil** balance. The peculiarity here is that the cash balance of Rs. 25-10-3 of 20—1—19.5 and pies two of 31—1—1925 suddenly disappear, Rs. 22-8-0 alone reappearing in the fair cash book on 8-9-1925 while it is omitted in the rough : the other petty items are not traceable at all.

67. Another peculiarity noticed in this same cash book (vide page 105) is that on the 8th September 1925, as at first closed and attested by Mr. Sundara Row, the cash balance was Rs 2-14-9 only : an additional credit of Rs. 37-4-0 is entered as received from the Dairy, as also a payment of Rs. 70 to Mr. K. Ramanna on account of sitting charges. **How it was possible to pay Rs. 70 out of Rs. 37-4-0 only is impossible to understand :** and there is Mr. Sundara Row's signature below these entries, under date 8—9—25. And yet on the 10th September 25, the next working day, the cash book opens with the balance of Rs. 2-14-9 as at first shown, at the close of 8—9—25.

68. It will not be out of place to mention here that an attempt was also made to show this same cash balance of Rs. 2-14-9 in the fair cash book also on

8—9—25. but subsequently all the closing entries have been scored out and attested by Mr. Sundara Row. The only inference that can be drawn is that there was short cash from 20—1—25. (Vide para 65 *supra*) and as sitting charges of Rs. 22-8-0 and Rs. 70 had not accrued till that date, the items could not be debited earlier.

68 A. In this connection it has to be stated that in the fair cash book, totalling of both sides and balancing was being done only at the end of the month and never in the middle, except on the 20th December 24 for the Statutory Report. The circumstances under which, this rule was broken on the 8th September 25 and the totals and closing balance corrected and recorrected three or four times and finally scored out are not understood.

69. The source from which the transactions from 21st to 31st January 25 were copied is not also understood.

70. Another important point noticed is that in page 149 of the same rough cash book, there is the certificate of the Chairman Mr. A. J. Ram, that he checked the cash balance on the 12th March 1926 and found it correct., *Viz.*, Rs. 16 (Rupees sixteen only) which agrees with the book balance. There have been mistakes in totalling and balancing in the cash book on the 5th, 9th and 11th March 1926, amounting to Rs. 2 7-0 in all, but for which the actual balance on the 12th March 26 ought to have been Rs. 13-9-0 only. If as a matter of fact Rs. 16 had actually been produced at the time of inspection by the Chairman, the only circumstances under which this could have been possible are:—

(1) that either certain credits, amounting to Rs. 2-7-0 or more, have been omitted to be brought to the cash book.

or (2) that Rs. 16 corresponding with the balance shown in the cash book was produced at the time of inspection.

or (3) that the certificate of the Chairman as recorded in the cash book is **not true.**

Which of these alternatives is the case it is not possible to say.

71. If instead of Rs. 16, Rs. 13-9 0 only had been adopted as the opening balance on 13—3—26, the closing balance on 15—4—26, which Mr. Sundara Row handed over to Mr. Mudaliar, ought to have been a ***minus*** balance of Rs. 2-2-7, instead of a plus balance of 0-4-5.

**Fair Cash book.**

72. Though the fair cash book is supposed to be a copy of the rough, it was not written from day to day, but copied only at a stretch; nor is it a faithful or correct copy thereof, as may be seen from the fact that credits of. 0-15-6 (annas fifteen and pies six) and 0-13 8 (annas thirteen and pies eight) appearing in the rough cash book as received from the Dairy on 26—2—26 and 2—3—26 (and this is supported by corresponding debits in the Dairy cash book) have been copied into the fair cash book as Rs. 15-6-0 (Rupees fifteen and annas six) and Rs. 13-8-0 (Rupees thirteen and annas eight) respectively, increasing the cash balance by Rs. 27-0-10. As such mistakes necessarily affect the cash balance and the incorrect figures only have been taken into the fair cash book on the basis of which the several balance sheets have been prepared, it is a question for consideration whether such balance sheets exhibit a true and correct view of the state of the Company's affairs and how far they can be relied on.

73 The fair cash book commences from 16—5—24, and instead of commencing from receipt No. 1, the first entry on the receipt side is No. 47, while receipts 1, 2 and 3 appear in the cash book on the 19th, 22nd and 23rd May 1924, respectively. The order in which the receipt side of the cash book for May 24 is posted is shown below:—

| Month and date | | Particulars | Receipt No. and date | | Amount. | | |
|---|---|---|---|---|---|---|---|
| | | | No. | Date | | | |
| May 1924 | 16 | B. N. Iyengar ... | 47 | 10—7—24 | 200 | 0 | 0 |
| | ... | A. G. Ram ... | 10 & 48 | 24—6—24<br>10—7—24 | 200 | 0 | 0 |
| | ... | C. Krishnamoorthy Sastry ... | 11 | 24—6—24 | 200 | 0 | 0 |
| | ... | N. Krishnaswamy Row ... | 12 | 24—6—24 | 200 | 0 | 0 |
| | ... | K. Ramanna ... | 49 | 10—7—24 | 200 | 0 | 0 |
| | ... | V. K. Lakshmana Mudaliar ... | 13 & 50 | 24—6—24<br>10—7—24 | 200 | 0 | 0 |
| | ... | S. Sundara Row ... | 51 | 10—7—24 | 200 | 0 | 0 |
| | ... | T. N. L. Chetty ... | 52 | 10—7—24 | 50 | 0 | 0 |
| | ... | M. Subba Row ... | 14 | 24—6—24 | 10 | 0 | 0 |
| | 19 | K. N. Veerabadra Setty ... | 1 | 24—6—24 | 2 | 0 | 0 |
| | 22 | M. N. Naganna ... | 2 | do | 20 | 0 | 0 |
| | 23 | M. Venkatakrishniah ... | 3 | do | 2 | 0 | 0 |
| | | Total ... | | | 1,484 | 0 | 0 |

74. A few more instances of the order in which the receipts are entered in the cash book are given below :—

1226 to 1230 credited on 24—2—25
1231 ... ... ... 21—2—25
1233 ... ... ... 3—2—25
1237 ... ... ... 20—2—25
1240 ... ... ... 3—2—25
1301—13... ... ... 28—2—25
1314 ... ... ... 30—1—25
1315 ... ... ... 10—3—25
1316—25... ... ... 28—2—25
1501—2 ... ... ... April 25
1503—17... ... ... From 6—3—25 to 30—3—25

Moreover there are several entries in the cash book without any reference to the receipt number or voucher.

75. From the above it will be seen that the receipts are not entered in consecutive order; it is not therefore possible to say if all the receipts have been brought to the cash book or not.

76. The circumstances under which receipts of 24—6—24 and 10—7—24 are credited in the cash book on 16—5—24 are not understood. Though receipts 1, 2 and 3 were also issued on 24th June 1924, still the amounts thereof are shown in the receipts as having been received on the 19th, 22nd and 23rd May respectively, as also shown in the cash book. The only inference that could be drawn is that with a view to enable the Directors to make the first allotment on the 10th July 24, on which date 1192 shares were allotted, these receipts were passed, though, as a matter of fact, no cash seems to have been received, as subsequent events show. But for items 1 to 8 amounting to Rs. 1,450 and representing the value of 375 shares, the number of shares subscribed for till the 10th July 24 should have been 817 only, and the allotment made on that date was irregular, the minimum number of shares required for allotment being 1,000.

77. In this connection it has to be stated that the receipts and payments to end of 27—7—24, were Rs. 4,346—9—0 and Rs. 2,401—3—6 respectively, leaving a balance of Rs. 1,945—5—6 on hand at the close of the day, and yet a cheque has been drawn for Rs. 150 on the City Co-operative Bank on 28—7—24, for office expenses. Another cheque for Rs. 236 was drawn on the following day, when also, the cash balance on hand, as per cash book, was Rs. 2,122—1—6. Another noticeable point in this transaction is that the balance in the City Co-operative Bank was Rs. 230 only and Rs. 6 was an overdrawal: and though the book balance was Rs. 2,046 and odd on 1—8—24, the managing agents were able to remit Rs. 10 (Rupees ten only) to the Bank, to adjust the overdraft.

78. It is further noticeable that Rs. 30 paid to Mr. H G. Linganna on 27—9—24 and Rs. 10 paid to Mr. Krishnamoorthy Sastry on 25th October 24 were partly by cash and partly by cheque. Another cheque for Rs. 8 was drawn on 11—11—24 to meet advertisement charges, of which Rs. 7 was paid on the 12th and Re. 1 on the 13th idem. All these clearly show that the actual cash on hand was not enough to meet even petty demands, even though the book balance on the respective days exceeded Rs. 1,500 in each case. The only inference to be drawn is that the balance shown in the cash book did not really exist, and it is only to wipe off this huge deficit that more or less fictitious entries, unsupported by proper vouchers, were made on the 20th December 24.

79. In this connection, it will not be out of place to mention here that for purpose of the statutory report, the cash book for the 20th December 24 was first closed with voucher No. 602; voucher Nos. 603 to 611 aggregating Rs. 144-4-0 have been subsequently added with the following remark.

"Amounts mentioned in voucher Nos. 603 to 611, both inclusive, were omitted on the respective dates mentioned against each"

80. The entries are

**Managing Agent's allowance account.**

| | Vr. No. | Amount. |
|---|---|---|
| V. K. L. Mudaliar (14—10—24 Rs. 50 and 28—10—24)Rs. 10 ... | 603 | 60 0 0 |
| K. Ramanna (paid 20—10—24) ... | 604 | 25 0 0 |
| **Sitting Charges account.** | | |
| V. K. L. Mudaliar (paid 20—10—24) ... | 605 | 20 0 0 |
| **Legal Charges account.** | | |
| B. N. Iyengar (paid on 17—10—24) ... | 606 | 6 0 0 |
| **Contingency account.** | | |
| Bhagavan Chetty & Co., (paid on 24—10—24) ... | 607 | 1 10 0 |
| Advertisement charges paid (1—7—24) ... | 608 | 12 4 0 |
| **Commission on Shares account.** | | |
| P. Subramanyyiah (paid (1—10—24) ... | 609 | 8 4 0 |
| **Live Stock account.** | | |
| P. Subramanyyiah (24—10—24) ... | 610 | 1 4 0 |
| **Contingency account.** | | |
| Jem Institute (paid 31—8—24) ... | 611 | 9 14 0 |
| | | 144 4 0 |

81. None of the above items appears in any of the rough cash books. Whence these were taken and posted to the fair cash book is not known.

82. With these additional entries on the expenditure side and some items on the receipt side also, the cash balance at the close of the day (20—12—24) was Rs. 1,645-6-11. So to reduce this cash balance, the following further additions aggregating Rs. 1,432-11-5 have been made on the debit side, without any voucher No. quoted against each item, the effect of which being that the cash balance on 20—12—24 was reduced from Rs. 1,645-6-11 to Rs. 212-11-6 and which is the figure adopted for the statutory report.

| | | |
|---|---|---|
| **Contingency account.** | | |
| M. O. Commission ... | 0 10 | 0 |
| **Stationary account.** | | |
| Heeraji Tharachand paid in advance on 20—7—24 but omitted to be taken to account | 29 12 | 0 |

| | | | | |
|---|---|---|---|---|
| **Contingency account.** | | | | |
| Live Stock Certificate embossing | ... | 36 | 4 | 0 |
| (The amount paid on 16—9—24 but omitted to be taken into account). | | | | |
| **Preliminary expenses account** | ... | 160 | 12 | 0 |
| Mr. V. K. Lakshmana Mudaliar's account | ... | 1 205 | 5 | 5 |
| | | 1,432 | 11 | 5 |

"The above two amounts were given on but vouchers received to day."

And Mr. Sundara Row, the office managing agent has attested both sides of the cash book.

83. From the correspondence that passed between Messrs. Sundara Row and Mudaliar and the Board of Directors (**copies enclosed**), (vide App, F) it will be seen that each party wants to throw the blame on the other. The only voucher available for the above debits is that of Mr. Mudaliar acknowledging receipt of Rs. 1,366-1-5 towards preliminary expenses account, worded as follows :—

"Received from the managing agents, the Mysore Agricultural Dairy Farm Co., in Mysore, the sum of Rs. 1,366-1-5 (Rupees one thousand three hundred and sixty six, anna one and pies five only) towards preliminary expenses account, for which no receipt has been passed by me."

20—12—24. Sd. V. K. Lakshmana Mudaliar.

84. It has also to be stated that in addition to the above, another sum of Rs. 1,554-6-0 has also been drawn and included in Rs 1,715-2-0 debited to "Preliminary expenses account" (vide statutory report).

85. Another serious irregularity was committed by Messrs. V. K. Lakshmana Mudaliar and B. Narasimhiengar just before or on the day of the statutory meeting and that is explained below.

86. Under art. 85 of the Articles of Association as it then existed no member was entitled to be present or to vote on any question, either personally or by proxy, or as proxy for another member, at any general meeting or upon a poll whilst any call or other sum was due and payable to the Company, in respect of any of the shares of such member.

In this connection it has to be stated that the rule is curious enough, that it disentitled a member even from attending the general meeting, though the corresponding art. 63 of the 1st schedule appended to the Companies Regulation allows the member to be present but not to vote. This rule has, however, been since changed consistent with the Regulation.

87. The first call of Rs. 100 due on the 50 shares held by Messrs. V. K. Lakshmana Mudaliar and B Narasimha Iyengar had not been paid till the 12th January 25, the date of the statutory meeting, and to make themselves eligible to attend the meeting the following amounts were unauthorisedly drawn by them as advances to adjust the same.

Mr. V. K. L. Mudaliar, advance of seniorage Commission Rs. 75.

Mr. B. Narasimha Iyengar, advance of legal charges Rs. 70.

88. The action of these Directors in drawing such unauthorised advances was highly objectionable.

**Dairy.**

89. This department was under Mr. Ramanna, a Director and one of the partners of the firm of Messrs V. K. Lakshmana Mudaliar & Co., from the commencement, upto 18th November 25, the date of his resignation. Besides the Indian and English Dairies attached to the Head Office, Depots had been opened at Hole Narsipur, Chennarayapatna, Kyathanahalli, Kumbarakoppal and Bangalore. But all of them proved a failure, mainly thro' mismanagement. Owing to

the utter indifference on the part of the chief managing agent in not promptly adjusting the accounts, all the Dairies were closed with heavy balances outstanding against them, as shown below:—

| | | | Rs. | A. | P. |
|---|---|---|---|---|---|
| Hole-Narsipur Dairy | ... | ... | 423 | 0 | 6 |
| Chennarayapatna | ... | ... | 171 | 9 | 4 |
| Kumbarkoppal | ... | ... | 269 | 15 | 11 |
| Kyathanahalli | ... | ... | 328 | 12 | 5 |
| | | | 1,193 | 6 | 2 |

90. This amount was outstanding on 31st March 1927 and no action is being taken to adjust the same, nor is there any chance of their adjustment at all.

91. With a view to verify these balances, the file relating to the Chennarayapatna Depot was examined. It so happened that the late Dairy Depot manager was also at Mysore at the time of investigation and he represented that more than five hundred rupees was due to him from the company, besides Rs. 200 furnished as Security Deposit.

92. As per statement of account sent to the Dairy Depot Manager (C. S. Srikantiah) on 21—10—25 by the managing agents, the balance shown against him was Rs. 23—5—4, as detailed below:

| | | | | Rs. | A. | P. |
|---|---|---|---|---|---|---|
| 1. Total quantity of milk purchased 1228 $\frac{1}{16}$ seers | | | ... | 307 | 0 | 0 |
| 2. Establishment charges on 154$\frac{1}{4}$ seers of cream received i.e., 17 days at Rs. 2-8-0 per day | | | ... | 42 | 8 | 0 |
| 3. Railway charges paid | | | ... | 5 | 0 | 0 |
| | | Total | ... | 354 | 8 | 0 |
| Cash paid from time to time as advances | ... | 276 0 0 | | | | |
| Add Skimmed milk charges | ... | 134 2 10 | | | | |
| | | | | 410 | 2 | 10 |
| Deduct expenses as shown above | ... | | ... | 354 | 8 | 0 |
| | | Balance | ... | 55 | 10 | 10 |
| Items provisionally accepted, for which the D. D. Manager was asked to produce vouchers | | | ... | 32 | 5 | 6 |
| Balance due "after giving all deductions this amount will be due from the Dairy Depot manager to the company" | | | ... | 23 | 5 | 4 |

93. To this has to be added the further advance of Rs. 100 made to him on 11—12—25. It will thus be seen that a balance of Rs. 123-5-4 only was due by him to the company, while the Ledger and the Balance Sheet as on 31st December 25 and 31st March 27 show Rs. 171-9-4. How far the ledger figure can be relied on, it is not possible to say.

93(A). With his letter dated 27—12—25, the Dairy Depot Manager has submitted a detailed statement of account, claiming Rs. 116-12-6 for milk supplied till the end of December 25, in addition to his establishment pay amounting to Rs. 282 and odd and this letter is referred to K. Mudaliar for putting up previous references and no further action is taken: and yet it is nothing short of high handedness on the part of the company to have forfeited his Security Deposit of Rs. 200 for no fault of his, and without notice to the party, on the allegation that he did not act up to the terms of his agreement, while the balance of Rs. 171-9-4 is still shown as outstanding against him. On enquiry, it is learnt that the poor man lost about six hundred Rupees in this business and is now devoid of any means.

94. Another peculiarity noticed in this case is that his agreement is not forthcoming.

**Dairy Accounts.**

95. In the Audit notes of Mr. Easwariah, reference is made to one katcha cash-book to end of August 25, in addition to the fair cash-book. But during the present investigation, two more rough books were found.

96. The first rough cash-book is from 23rd January 25 to 31st August 25, closing with a cash balance of Rs. 113-5-0. This book is attested by Mr K. Ramanna, Dairy manager, daily from begining to end, and this is the book produced before Mr. Easwariah for audit, as may be seen from his initials at the end.

97. The second rough book consists of two parts, one side containing the transactions from 1st July to 31st August 25, which are also embodied in rough cash book No 1: the other side commences from 1—9—25 and contains transactions to end of October 25, with neither totals nor balances at the end of each day, nor does it bear signs of having been checked by anybody.

98. The third rough cash-book is from 1st November 1925 to 13—3—26. This book opens with a cash balance of Rs. 2-6-9, but the source from which this is carried forward is not known. Daily cash balance is worked up to 21—11—25 on which date a balance of Rs. 5-2-8 is shown. Including Re. 1-7-0, cash sales of 22—11—25, the total amount available was Rs. 6-9-8. But the total payments for the day are shown as Rs. 7-6-6, or 0-12-10 in excess. Wherefrom this excess payment was made is not known: and from this date onwards, daily totalling and balancing have been discontinued. This book also seems to have been placed before Mr. Easwariah who has signed at the end of 30th November 25, under date 8—4—26. This book is further initialled by Mr. Sundara Row at the bottom of every page from pages 24 to 50, under date 16—4—26, the date of his handing over charge to Mr. Mudaliar.

99. So, there were rough cash books from the beginning to end, but the circumstances under which rough cash book No. 2 was not placed before Mr. Easwariah are not known.

100. The fair cash book has been written at a stretch and lots of differences exist between the rough and the fair and the reasons therefor are not also clear. A few instances are noted below for information.

21—9—25. Amount paid to Mr. V. K. L. Mudaliar for payment to Kumbarkoppal Dairy Manager.

As per rough cash book Rs. 3-13-11
As per fair cash book Rs. 30-3-11

101. In the rough cash books, all sorts of unauthorised and objectionable items of expenditure, such as, utilisation of company's funds for private purposes are included, while in the fair, they are omitted and consequently included under cash balance, though cash was not there: *e.g.*, between the 31st August and 30th October 25, debits aggregating Rs. 173-9-3, as detailed in the annexed statement (App. G.) appear in the rough cash book as amounts paid to Mr. V. K. L. Mudaliar and others as shown below, but these have been omitted in the fair.

| | | | | Rs. | A. | P. |
|---|---|---|---|---|---|---|
| Mr. V. K. L. Mudaliar | ... | ... | ... | 160 | 13 | 0 |
| ,, Ramanna | ... | ... | ... | 5 | 2 | 9 |
| ,, Arunachalliah | ... | ... | ... | 2 | 4 | 0 |
| ,, R. K. Naidu | ... | ... | ... | 2 | 0 | 0 |
| ,, C. K. Sastry | ... | ... | ... | 1 | 0 | 0 |
| Coffee, tiffin &c., | ... | ... | ... | 2 | 5 | 6 |
| | | | Total ... | 173 | 9 | 3 |

102. The above are only a few instances that are quoted here, simply to show how company's funds were recklessly squandered for the private expenses of the managing agents and staff and which have been carefully omitted in the fair cash book and included under cash balance to escape detection. It is such objectionable items that have contributed to the difference of Rs. 641 12-11 and

Rs. 648 9-8 shown as cash balance on the 31st October and 31st December 1925 respectively, and evidently not recouped or adjusted.

103 The fair cash book is full of scorings and erasures, some of them leading to misappropriation and falsification of accounts. When first checked by Mr. Easwariah the Company's Auditor, this cash book, it is stated, did not contain the credit of Rs. 68 9-3 said to have been paid by Mr. R. K. Naidu on the 25th September 1925, towards his dairy dues. Sometime later, one whole line in the cash book is completely erased and Rs. 68-9-3 introduced in its place, as received from Mr. R K. Naidu, as per Receipt No. 94 and the entry is initialled by Mr. A. J. Ram. But the counterfoils of the receipt book containing this No is not forthcoming. But in the rough cash book relating to this period there is the credit of Rs. 68-9-3 on this date (25-9-25), in red ink.

104. The explanation of Mr. Arunachalliah, Dairy assistant, as given in his statement as follows :

"On the strength of the letter of authority given by Mr. R. K. Naidu, Managing Agent, Mr. K. R. asked me to pass a receipt for Rs. 68-9-3 and the same has been intimated to the Head Office for recovery. As the amount was not received by me that day, and as a mark, it has been written in red ink. I do not know whether it has been adjusted or not. The receipt book of 100 pages which contains No. 94 receipt was submitted for audit and it must be in the office. As I was not the man who wrote the fair cash book, I cannot say why it has been scraped out."

105. In this connection, it has to be stated that on the same day, another item of Rs. 2 is credited in the same rough cash book, as advance received for milk supply, but the name of the party from whom it was received is not given. It may be that this credit has been erased from the cash book and Rs. 68-9-3 inserted in its place, as received from Mr R. K Naidu, as the party raised a hubbub and reported the matter, at the same time, to the Chairman of the Board. But in the adjustment memo dated 27th March 1927 given by Mr. Mudaliar, reference is made to a book adjustment of this item for transfer credit to the Dairy, to be effected on the strength of the letter of authority given by Mr. Naidu. If, as a matter of fact, cash had been paid on 25—9—25, as alleged, the necessity for this adjustment is not understood. Mr. Arunachalliah's statement referred to in the last para, also supports Mr. Mudaliar's adjustment memo. It is thus clear that no cash payment was made. Any how, the matter is not free from suspicion.

106. No stock account was maintained for the Dairy products.

107. Three important anomalies noticed in the Dairy accounts at the Meeting of the Board of Directors are :—

(1) Cash deficit of Rs. 641 and odd.

(2) Balance of 1136 seers of milk on the date of closing the Dairy, remaining unaccounted for.

(3) Difference between katcha and pakka cash books.

108. As regards the cash deficit of Rs. 641 and odd the remarks of Mr. Easwariah are noted below :—

"On requesting the Dairy Managing Agent to produce cash for inspection, as on the day of ceasing to be such agent, the Dairy Managing Agent instead of producing cash, has given me a memo, a "memo of Explanation"

"With reference to the chief organiser's memo to me in September 1925, stating that, as per the request of Mr. S. Sundara Row, office managing agent, that I should give the power of the Dairy branch, as per letter, from 4th October 25, I ceased to have any control over Dairy branch, which Mr. Sundara Row resumed.

"From October 4th I never handled cash. From my experience, the difference that exists in cash is all due to the handling of cash by my other partners of the firm, who used to take a receipt from me and never sent a corresponding

voucher to me. ' Therefore unless I make a thorough investigation in the matter, I shall not be in a position to justify the present cash difference for which it requires some time."

"P.S. The cash balance on 3rd october 25 was with Arunachalliah, Dairy assistant."

109. Mr. Easwariah's concluding remarks on 10th May 26 are as follows :—

"In the above circumstances, I could not verify the same. The cash balance on 3rd October 25, amounts to more than Rs. 900 including the omissions, but entered as on 31—10—25 on 21—3—26 and 15—4—26. It seems Mr. Ramanna was in charge of office until 19th November 25, on which date his resignation was accepted, and the cash balance was given to Mr. Sundara Row. Hence cash balance on 18th evening (18—11—25) ought to be Rs. 641-12-11 + 99-8-1 difference between receipts and payments=Rs. 741-5-0 (Rupees seven hundred and forty one and annas five only). This balance includes the omissions entered on pages 126 128 and 130."

110. Though so much hubbub was raised by the auditor about this cash balance and though all the Directors knew full well that the cash balance on the date of the resignation of Mr. Ramanna was not handed over by him either to Mr. Sundara Row who relieved him or to Mr. V. K. L. Mudaliar, the senior partner of the firm of V. K. Lakshmana Mudaliar & Co., no action was taken to investigate the loss of the amount. When signing the balance sheets for 31st October 25 and 31st December 25, whether audited or not, the Directors were fully aware of their responsibility as to the correctness of the balance sheets signed by them and they knew also full well that the amounts of Rs. 641-12-11 and Rs. 648-9-8 shown therein as balance in the Dairy did not really exist and yet not a word of its absence has been said in the Directors' report.

111. In para 48 of Mr. A. Narasimha Moorthy's report, reference is made to the balance of Rs. 648-9-8 as cash on hand in the Dairy on 31—12—1925, but the remarks of Mr. Easwariah made in the Dairy cash book do not seem to have attracted his attention, as his audit report is silent on the point.

112. It may, however, be stated that this question was raised at the General Meeting held on 3—10—1926 (adjourned meeting), where it was resolved that the matter be referred to the Special Committee appointed by the share holders on 30—9—26 for investigation and report

113. Two important irregularities noticed by Mr. Sundara Row in his inspection report are

(1) Non-maintenance of a proper stock account for the Dairy products,

(2) The unauthorised appropriation of Rs. 400 by Mr. V. K. L. Mudaliar for his own use.

114. From the cash books of the Head Office, as well as of the Dairy, it is seen that a sum of Rs. 400 (Rupees four hundred only) was obtained from the Head Office ostensibly for Dairy operations, on 4th May 1925 and the same was paid to Mr. Mudaliar in small lots on the 6th, 9th and 15th idem, which, as Mr. Sundara Row calls it, is **pure "misapplication, if not misappropriation".** A copy of Mr. Sundara Row's report has already been submitted to the Registrar of Joint Stock Companies, with Managing Director's letter No. 1454 dated 2—5—1927.

115. Another matter of no less importance is, that on the 4th December 1925, Messrs V. K. L. Mudaliar and Sundara Row borrowed from one Kotumal Ramachand, a Marwari Banker, Rs. 1,000 (Rupees one thousand only) on an on demand Pronote at usurious rate of interest of Re 1-8-0 per cent per mensem, ostensibly for Dairy operations and as per details of distribution given in the slip attached to the rough cash book, Rs. 150 and Rs 50 shown as paid to Mr. A. J. Ram and Soopindas, respectively, have been debited to the Head Office in the Dairy accounts: but there is no corresponding credit in the Head Office accounts,

nor are vouchers forthcoming in support of the debit. How the amount was disposed of is not understood. Mr Ramanna having resigned, Mr. Sundara Row was in charge of the Dairy, and consequently he and Mr. V. K. L. Mudaliar are responsible for the amount in question.

**Audit Reports.—**

116. In para 4 (8) of Mr. Narasimha Moorthy's first audit report dated 30th September 26, it is remarked as follows :—

"At the end of October 1925, the book balance comes to Rs. 39-9-3 (as per details of that month), but it is put down as Rs. 45-9-3".

117. This statement does not appear to be correct; the balance as worked out in the cash-book, viz., Rs. 45-9-3 is correct, as shown below :—

| | | Receipts | Payments |
|---|---|---|---|
| Opening balance on 1—10—25 | ... | 6 2 10 | |
| Total 1st page | ... | 851 1 9 | 834 12 6 |
| Total 2nd page | ... | 2,046 8 0 | 1,971 8 0 |
| Total 3rd page | ... | 686 4 10 | 738 3 8 |
| Total | ... | 3,550 1 9 | 3,544 8 2 |
| Closing Balance | ... | | 45 9 3 |
| | ... | 3,590 1 5 | 3,590 1 5 |

118. On the authority of the above statement the office has adjusted the supposed difference of Rs. 6 by debit to "suspense" and the amount is still outstanding under that head. The erroneous adjustment will therefore have to be reversed.

**2nd Audit Report.—**

119. The more important items, noticed in the 2nd audit report and deserving of mention are :—

(1) "Journal Vr. No. 57 for Rs. 153 paid to Kristna District Agent as remuneration, not forthcoming."

(2) "Pucka receipts Nos. 3142 to 3315, from 5—4—26 to 12—4—26 for Rs. 877-12-0, for Live Stock premium and application fee, issued by the managing agents. This amount is not traceable in the cash-book. Counterfoils of receipts are not even initialled by anybody."

(3) "Similarly pucka receipts Nos. 2,970 to 3001 for Rs. 46-8-0, credit of which is not traceable in the cash-book."

The above three items are stated to have been debited to Messrs. V. K. L. Mudaliar & Co's. account.

120. As regards the first item of Rs. 153 it has to be stated that it is a payment made to the Kristna Dt. agent for appointing 17 sub-agents. The amount was paid by cheque No. 007853, dated 24—3—27, on the District Co-operative Bank, Guntur, and as shown in the adjustment voucher No. 57, the debit head is "remuneration to agents", and the amount has been debited to the proper head only and not to the managing agents' firm.

121. The third item of Rs. 46-8-0 has been traced in the course of the present investigation and is outstanding under "suspense." The erroneous debit to the Firm's account will therefore have to be withdrawn.

122. As regards the 2nd item of Rs. 877-12-0, it has to be stated that so long as pucka receipts have been issued, the amounts must have come to the cash book, and probably credited under "suspense" for want of detailed information. Unless the balance under "suspense" amounting to Rs. 3,977-9-10, outstanding on 31st March 27, is completely analysed, it cannot be said definitely whether the amount has been credited or not. No action is being taken to analyse this amount and it is not known whether it will ever be adjusted at all.

123. The other irregularities noticed are :—

(1) Short cash to the extent of Rs. 929-5-8.

(2) Company's property to the extent of Rs. 945-6-7 to be accounted for.

(3) Disallowed items of expenditure and deficit of Dairy cash to the extent of Rs. 602-10-9.

(4) Rs. 85 withdrawn from the Banks and remaining unaccounted for.

(5) Rs. 589-11-6 paid by the Head Office, but not credited in the Dairy accounts.

(6) From paras 3 (3) and 4(b), it is seen that payment vouchers amounting to Rs. 36-9-0 and Rs. 33-7-11 were in the files of paid vouchers of the Head Office and Dairy respectively, but the payments thereof were not traceable in the cash-books. The source from which these payments were made is not understood.

(7) Similarly in para 4(a) it is stated that Hakim Mahomed Gouse paid Rs. 5 on 16—3—26 and that the same has not been brought to the cash-book.

124. Besides the above, the present investigation has brought to light that sums aggregating Rs 137-11-2 received by the managing agents and officers of the Company at Head-quarters and for which receipts have been passed by them have not been brought to the cash-book. A list of the items is attached (vide appendix H.)

| | | | Rs. | A. | P. |
|---|---|---|---|---|---|
| Mr. V. K. Lakshmana Mudaliar | ... | ... | 67 | 0 | 2 |
| Mr. K. Ramanna | ... | ... | 65 | 4 | 0 |
| Mr. Arunachalliah | ... | ... | 5 | 7 | 0 |
| | | ... | 137 | 11 | 2 |

125. Another item, similarly not brought to account is the amount of Mysore Bank cheque No B. 616881, dated 19—10—25, issued in favor of C. Raghunatha Row (office attender) for Rs. 50. This amount together with another cash payment of Rs 90 is charged in the Head Office cash-book (fair) on 19—10—25, as voucher No. 1365. But this voucher is for Rs. 90 only, and this is supported by the entries in the rough cash book of the Head Office as also the cash-books of the Dairy ; and consequently the auditor also has placed this item of Rs. 50 under objection, for want of voucher.

126. From a reference to the counterfoil, it is seen that this cheque is issued in lieu of cheque No. 616880 of the 16th idem, drawn in favor of Soopindas Hassan Chand, but subsequently cancelled. The Dairy protesting against this excess debit, the same was withdrawn from the Dairy and kept under **suspense and it is still outstanding under that head unadjusted—**

127. No information is forthcoming for payment of this amount to any body on Company's account, nor is the amount credited to the cash-book as amount withdrawn from the Bank. Evidently the amount has been left out of account and Mr. V. K. L. Mudaliar, the drawer of the cheque is responsible for the same.

128. In addition to the above, Rs. 132-6-0 and Rs. 33-0-0 realised from the Government House and Palace Stables respectively for Dairy products supplied to them, have been acknowledged by Mr. Arunachalliah, the Dairy Assistant, but not brought to the cash-book.

129. Against Rs. 132-6-0 actually realised from the Government House, and not brought to the cash book, Rs. 122-12-10 only was outstanding in the ledger, and on receipt of a communication from the Government House, that all the bills of the Dairy had been paid and nothing more was due, the amount has been debited to the managing agent's account. In the case of the Palace Stables and

Hassan Abbas Sait, Rs. 33-0-0 and Rs. 5-7-0 though recovered from them and acknowledged by Arunachalliah are still outstanding in the Dairy accounts.

130. It will thus be seen that the total amount to be accounted for is Rs. 503-1-2, including the sum of Rs. 150 referred to in para 115 above referred to.

| | | Rs. | A. | P. |
|---|---|---|---|---|
| Mr. V. K. L. Mudaliar | ... | 117 | 0 | 2 |
| Messrs. V. K. L. Mudaliar and Sundara Row (amount debited to H. O. by the Dairy but not credited in the H. O. accounts) | ... | 150 | 0 | 0 |
| Mr. K. Ramanna ... | ... | 65 | 4 | 0 |
| Mr. Arunachalliah ... | ... | 170 | 13 | 0 |
| | | 503 | 1 | 2 |

131. The sum of Rs. 65-4-0 shown against Mr. Ramanna includes also the remittance of Rs. 35 received by Insured post and acknowledged by Mr. Ramanna, but not brought to the cash-book. A copy of Mr. Ramanna's explanation on this point is attached (vide App. J).

## Balance Sheets

132. As regards the accuracy of the Balance sheets, it has to be stated that some of the figures shown therein are not quite correct.

133. The first balance sheet presented to the share-holders is the **unaudited** Balance Sheet for 31st October 25, which the Directors themselves said they could not certify as to its correctness. But this is only a consolidated copy of Messrs. Sundara Row's and Ramanna's manuscript Balance sheets, which too are not audited.

134. The following differences are noticed between these Balance Sheets and Ledger:

| Folio | Assets | As per Balance Sheet | As per Ledger | Difference: Ledger More | Difference: Ledger Less |
|---|---|---|---|---|---|
| 133 | Loans ... | 3,102 8 0 | 4,477 8 0 | 1,375 0 0 | ... |
| 241 | | | | | |
| 246 | V. K. L. Mudaliar ... | 2,458 9 0 | 1,318 9 0 | ... | 1,140 0 0 |
| 248 | S. N. L. Chetty ... | 307 8 0 | 167 8 0 | ... | 140 0 0 |
| 242 | H. Nanjunda Row ... | 20 0 0 | ... | ... | 20 0 0 |
| 243 | K. Ramanna ... | 75 0 0 | ... | ... | 75 0 0 |

How the figures of the Balance Sheet were arrived at is not known.

135. The balance on hand on 31st October 25. in the printed, as well as in Mr. Sundara Row's typed Balance Sheet, is Rs. 48— 9—3
as per fair cash book „ 45— 9—3
as per rough cash book „ 30—12—2
and all the three are signed by Mr. Sundara Row office managing agent. And when these anomalies were pointed out to him he has replied to say that Rs. 45-9-3 ought to be the correct figure. It is on the basis of this figure that the cash balance of Rs. 15-2-4 shown in the Balance Sheet for 31st December 25 was arrived at in the fair cash book, while as per rough it is Nil.

136. How this difference of Rs. 15-2-1 between the rough and fair cash books was arrived at is explained below :—

| Date | Particulars | Rs. | A. | P. | Rs. | A. | P. |
|---|---|---|---|---|---|---|---|
| 1— 9—25 | Difference in Opening balance ... ... | 2 | 14 | 1 | ... | | |
| 21— 9—25 | Short debit in Fair Cash Book ... ... | 1 | 6 | 0 | ... | | |
| 2—10—25 | Debit in rough cash book omitted in fair—Mr. Vaze Hand loan ... ... ... ... | 10 | 0 | 0 | ... | | |
| 12—10—25 | Short debit in fair cash book on account of advance of salary to Nanjunda Row ... ... ... | 3 | 0 | 0 | ... | | |
| November 25 | Net debit of English Dairy transactions in November 25 not appearing in rough ... ... ... | ... | | | 1 | 4 | 9 |
| 31—10—25 | Do do. October 25... | ... | | | 2 | 7 | 0 |
| 19—12—25 | Amount paid to Arunachelliah, appearing in rough but omitted in fair ... ... ... | 2 | 0 | 0 | ... | | |
| 28—12—25 | Short credit in fair cash book *i.e.*, Rs. 179-13-0 only credited instead of Rs. 180-3-0 ... ... | ... | | | 0 | 6 | 0 |
| | Total .... | 19 | 4 | 1 | 4 | 1 | 9 |

Net Difference Rs. 15-2-4.

## Balance Sheet for 31st December 1925.

137. This Balance Sheet follows the figures of the Balance Sheet for 31st October 25. Instead of basing the Balance Sheet figures on the ledger, the ledger figures have been made to correspond with the Balance Sheet. Not being able to trace out the differences, under personal accounts, referred to in the previous paragraph, a Journal entry is passed on 31—12—25, debiting personal accounts and crediting suspense. These were however readjusted in the accounts for March 27.

138. As has been observed in Mr. Narasimha Moorthy's audit report, the figures under Sundry debtors and Sundry creditors in the Dairy did not agree with the ledger figures and all the differences between the ledger and the Balance Sheet were kept under suspense, by opening new ledger heads called "sundry creditors" and "sundry debtors" without further details. These differences were subsequently traced and adjusted in the accounts for March 1927.

139. Before proceeding to the examination of the details of the several items of the Balance Sheets, it is desirable that the apparent anomalies, existing between the Balance Sheets for 31st October and 31st December 25 are first explained.

140. From a comparison of the two sets of figures, it is seen that the net loss on 31st October 25 and 31st December 25 is put down as Rs 22,673-10-1 and Rs. 10,291-3-6 respectively. This does not mean that the situation was in any way eased in the next two months and that the Company had made a net profit of Rs. 12,382-6-7, so as to bring down the net loss to Rs. 10,291-3-6.

141. As explained by the managing agents themselves, the decrease is due to the misplacements of certain items of receipts and expenditure in the first Balance Sheet and Profit and Loss account and which have been rectified in the second, as shown below:—

(1) **Addition to receipts.**

| | | Rs. | A. | P. | Rs. | A. | P. |
|---|---|---|---|---|---|---|---|
| (1) | Premium on L. S. Registration ... | 6,877 | 5 | 0 | | | |
| (2) | Certificate fee on do ... | 231 | 4 | 0 | | | |
| | | | | | 7,108 | 9 | 0 |

(2) **Reduction under expenditure.**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| (1) | Printed Literature and Stationary ... | 2,377 | 12 | 3 | | | |
| (2) | Appointing charges ... | 4,666 | 8 | 0 | | | |
| (3) | Depreciation ... | 565 | 11 | 11 | | | |
| | | | | | 7,610 | 0 | 2 |
| | Total ... | | | | 14,718 | 9 | 2 |
| | Add net loss as shown in the B. S. for December 1925. | | | | 10,291 | 3 | 6 |
| | Total ... | | | | 25,009 | 12 | 8 |

142. If the procedure adopted in the Balance-sheet for 31st October 25, had been followed, the net loss at the end of December 25 would have been Rs. 25,009-12-8 instead of Rs. 10,291 3-6, the method of classification adopted in the two cases being different, as explained below:—

(1) The receipts under Live Stock premiums and L S certificate fees shown under liabilities in the first, amounting to Rs. 7,108-9 0 have been taken to the profit and loss account in the second.

In this connection reference is invited to the Form C appended to the First Schedule of the Govt of India Insurance Act of 1912, viz , General Revenue account, applicable to **all classes of business other than Life Assurance** and annuity transactions; according to this form, all premiums are treated as income, and expenses of management &c. met therefrom, as in the case of Life Assurances. So in the absence of any special ruling on the subject and more especially when the Actuary himself who was consulted in the matter cannot give a definite opinion, on the score that it is a question of accounts, it seems but reasonable that these receipts should be taken to the profit and loss account as profit and not as a liability, for there is no other source of income from which the expenses of management &c., can be met.

143. There is, however, one thing to be said in this connection. Under Rule 5(A) of the English Prospectus, the Company has to set apart a certain amount out of the total collections of subscriptions in each year, towards "Premia Reserve Fund." The amount set apart to end of March 27 is Rs. 36 (Rupees thirty six only), which is very little, considering the volume of business turned out in the Live Stock Branch. It is desirable, in the interest of the Policyholders, that a certain fixed percentage of the first year's premium also is transferred to this head every year, as a sort of reserve.

143 (A). As regards the transfer of Rs. 2,377 and odd, under stationery and printed literature from the Profit and Loss Account, to the Balance Sheet as an asset, the explanation of the managing agents may be accepted (vide also paras 174-176).

143 (B). As regards the deduction of Rs. 4,666-8-0 under Security Deposits, it has to be stated that the deduction under liabilities before formal forfeitures are effected under a resolution of the Board does not appear to be quite correct. These charges also are of the nature of initial expenses and, as in the case of Preliminary expenses and commission to agents, will have to be wiped off gradually or as soon as forfeitures are effected, if earliar. Whether there be forfeitures or not, the Chief Agents are entitled to the appointing charges as soon as the appointments of District Agents are made. There may be cases in which there will be no forfeitures and yet the appointing charges will have to be paid. But to consider that the Security Deposit is intended ONLY to be forfeited, to be divided equally between the Chief Agents and the Company as appointing charges and forfeitures respectively, is not correct. The proper way to exhibit this item of expenditure was to treat it as an asset in the first instance to be wiped off gradually.

144. So instead of deduction from Security Deposit, the amount should have been shown on the other side of the Balance Sheet as an item adjustable and the deposit balance shown in full as a liability. But whether shown as a deduction from liability or as a distinct entry under assets, the net result will be the same, as the Profit and Loss Account will not be affected thereby.

145. The last item is "Depreciation charges" allowed in the accounts for October 25, but omitted in the Balance Sheet for March 25. The Company having been started in the early part of 924, it was more than 1½ years old. Ordinarily, the debit balances under "Preliminary expenses" and "Commission on shares" are written off to revenue, over a short period of 3 to 5 years and the depreciation on furniture in 10 years. But as no hard and fast rule exists on these points and as the amount involved, viz., Rs 565 and odd is not much, it may be neglected.

145 (A). It may however be stated, that adjustments on account of forfeitures of Security Deposits and depreciation though at low rates have been effected in the accounts for March 27. The appointing charges also have been shown correctly in the Profit and Loss Account. (*i.e.* in March 27).

| Assets. | 31—12—1925 | 31—3—1927 |
|---|---|---|
| 1. Landed Property | 2,504 2 0 | 2,804 2 0 |

146. The above figures shown under "Land" are not correct, as may be seen from the fact that against Rs. 5,000 originally settled and for which the sale deed also was executed and subsequently reduced, payments to the extent of Rs. 4,700 have been made to Mrs. Kenchiah, as detailed below :—

| Date | Cash | Pronotes | Adjustment | Total |
|---|---|---|---|---|
| 9— 6—25 | 300 | 700 | 2,000 | 3,000 |
| 28—10—25 | 350 | 1,350 | ... | 1,700 |
| Total ... | 650 | 2,050 | 2,000 | 4,700 |

147. Rs. 300 paid on 5—12—25, being part payment towards the 2nd pronote, has not been included in the above, and yet the cash-book and ledger, show Rs. 2,504-2-0 and Rs. 2,804-2-0 *i.e.*, Rs. 2,000 by adjustment and the balance in cash, the amounts of the pronotes being omitted altogether. But Mr. and Mrs. Kenchiah acknowledge receipt of Rs 2,950, *i.e.*, Rs 2,000 by adjustment and Rs. 950 in cash. The source from which the balance of Rs. 145-14-0 was paid is not known. Anyhow the figures shown in the Balance Sheets are not correct.

148. Cash at Banks on 31st December 25—Rs. 631-11-3, as detailed below :

| | As per Ledger & Balance sheet | As per Pass Book |
|---|---|---|
| 1. Mysore Bank ... ... | 129 12 0 | 129 12 0 |
| 2. City Co-operative Society, Mysore ... | 381 15 3 | 1 15 3 |
| 3. City Co operative Bank do. ... | 5 0 0 | 5 0 0 |
| 4. Vilipuram Urban Bank ... | 105 0 0 | 105 0 0 |
| 5. Hole Narsipur Co-operative Society ... | 10 0 0 | 0 0 0 No Pass Book also. |
| Total ... | 631 11 3 | 241 11 3 |

149. Against Rs. 381-15-3 shown against the City Co-operative Society, Mysore, Rs. 380 had already been drawn on 2 cheques on Company's account on 5—12—25, leaving a balance of Rs. 1-15-3 only on 31—12—25. But neither the withdrawals of the amounts from the Society nor their payments to the parties, *i.e.* (Rs. 80 to the Dairy and Rs. 300 to Mrs. Kenchiah) had been brought to the cash book. It was probably for this difference that the Pass book was not made available to the auditor.

150. As regards the balance of Rs. 10 shown against the Hole Narsipur Co-operative Society, it was ascertained in the course of investigation that the amount had already been paid to B. Kesava Moorthy, as per Mudaliar's letter dated 11—10—1925, leaving a balance of Rs. 0-0-8 (pies eight only) probably the interest allowed by the Society. In this case also, neither the withdrawal nor payment to Kesava Moorthy was brought to the cash book.

**Cash at Banks on Current account.**

Balance on 31—3—27 ... ... Rs. 4,624-7-3.

151. This includes an item of Rs. 940 shown as balance with the Hirimannur Co-operative Society in the Dharwar District. As a matter of fact, this balance did not really exist, the same having been withdrawn on 1—10—1926 fraudulently or otherwise, by the depositors themselves. The Managing Director was also aware of this fact, so far back as 20th November 1925 (vide letter No. 7020 dated 6th December 1926 to the Secretary of the Society). The facts of the case are—

151. From the correspondence in the file it is seen that Sub-agent Dasacharya and V. G. Deshponde had gone to the Head Office at Mysore to obtain loans from the Company on the mortgage of their lands and saw Mr. Shankar Lall the then Managing Director, who seems to have assured them that if they should take fifty shares in the Company and, after depositing the amounts thereof in one of the Co-operative Societies or Banks in their place, bring the receipt with them to Mysore, their loans would be sanctioned then and there. On this assurance they somehow or other arranged to place a credit of Rs. 940 (Rupees nine hundred and forty only) being the amount of 94 fully paid up shares taken by them, in the Co-operative Society at Hiri Mannur, Dharwar District, in the name of the Company on 29—8—26, brought the kutcha receipts and the Society's Pass-Book and delivering them to the Head Office in person, asked for pucka receipts and also a loan of Rs. 8,000. This time they were sent back with the intimation that packa receipts would be sent to them by post in about 8 or 10 days, and as for the loan, one of the Company's agents would be sent to their village to inspect the lands and get the necessary documents executed. Eagerly expecting both, though they waited for nearly 20 days ; they got neither the pucka receipts, nor did the company's agent turn up. Meanwhile the Managing Director sent a requisition to the Secretary of the Co-operative Society on 8—9—1926 to transfer the amount to the Central Bank, Dharwar. The sub-agent some how got scent of this requisition for transfer and suspecting some foul play on the part of the company and with the connivance of the Secretary of the Society managed to withdraw the amount on 1—10—1926, though the account was in the Company's name.

153. Though pukka receipts were not issued, shares were allotted to them on 12—9—1926, and the allotment notices and share certificates, issued on 21—9—1926 and 5—11—1926 respectively.

154. Not hearing, either from the Society nor from the Central Bank, Dharwar, regarding the transfer of the amount, the company sent reminder after reminder to the Society; but a notice dated 24—12—1926 was received from Dasacharya and Deshponde, informing that inasmuch as the company did not keep up to its promises, the amount was withdrawn by them on 1—10—1926. The Society also replied to the same effect.

155. The matter was, thereupon reported to the Registrar of Co-operative Societies, Bombay Presidency, who after thorough investigation has replied in his letter No. 523/2 of 1927 dated 19th December 1927, that the whole transaction was a bogus one and that there was actually no deposit with the Society to the account of the Company. A copy of the Registrar's letter is attached (vide App. K).

156. It is thus clear, that, at the time of signing the Balance-sheet for 31st March 1927, the Managing Director was aware of the fact that the amount shown as balance with the Society was not there and consequently, it should not have been included under "Balance in Banks". The amount should have been kept under "Suspense" pending adjustment or recovery.

157. It is a question for consideration why criminal and civil action should not be taken against the Sub-agent and the Society for recovery of the amount in question.

158. It will thus be seen that the figures Rs. 381-15-3 and Rs. 4,624-7-3, shown in the balance sheets for December 1925 and March 1927, respectively, do not represent the actual state of affairs of the Company.

## Cash on hand.

159. As regards the cash on hand, viz., Rs. 30-0-1 on 31—12—1925, it has to be stated that this is also a fictitious figure, made up of two items, viz., Rs. 15-2-4, as per fair cash-book and Rs. 14-13-9, as per petty cash-book. The balance of Rs. 15-2-4, has already been explained in para 13 ; *supra*, as representing the difference between the rough and fair cash-books on 31—12—1925, and that this balance did not really exist and the Managing Agents, though fully aware of the absence of cash, have certified to the existence thereof.

**Cash at Dairy on 31—12—25 Rs. 648-9-8.**

160. Enough has already been said in paras 108 to 110 *supra*, about the absence of this balance in the Diary.

161. One other point deserving of mention in this connection is that no action was taken by the Directors to investigate this matter till Mr. Gangaraju, the present Managing Director raked it up, *i e.*, after he took charge. The matter was placed before the Board of Directors at their meeting held on 5—12—26, and on receipt of Mr. Ramanna's explanation, as resolved therein, the matter was again considered at a Meeting of the Sub-Committee held on 13—2—27, when it was resolved that the balance should be debited to the Managing Agents' (firm's) account. The question of lodging a criminal complaint was placed before the Chairman and the other Directors, in Managing Director's Memo No. 1107 dated 26—3—27, on which Mr. A. J. Ram, the Chairman, has remarked as follows:—

"It is advisable to circulate among the Directors for their opinion, with the explanation of the Managing Agent concerned. The explanation is available with this paper". But this explanation was not forthcoming.

162. No remarks of the other Directors are seen on this paper, but Mr. Gangaraju says that though this was sent round to them, the memo was returned without any remarks. Thereupon a criminal complaint was lodged against Mr. Ramanna on 15—6—27, under section 409 I. P. C., in the court of the City Magistrate, Mysore. But the case was dismissed on the ground that the Board considered the case as one of civil liability and that they subsequently accepted the accused's explanation by debiting the balance to the firm. It is learnt that a revision petition has been filed in the court of the District Magistrate, Mysore, and the case is pending disposal. Copies of the City Magistrate's order and of the Revision petition are attached. (Vide App. Z).

**Preliminary Expenses**

| | | |
|---|---|---|
| 20th December 1924 | ... | Rs. 1,715-2-0 |
| 31st December 1925 | ... | 1,546-6-7 |
| 31st March 1927 | ... | 666-10-4 |

163. In this connection it has to be stated that, in the Prospectus, a sum of Rs. 2,000 is provided for preliminary expenses and Rs. 1,715 2-0 was drawn therefor and charged under that head to end of 20th December 1924. This latter figure includes Rs 1,341-12-0 drawn by some of the Directors and others as remuneration for services rendered, as detailed in the margin; and excepting Rs. 210 paid to Messrs. Sundara Row and C. K. Sastry, the rest were disallowed and the items were consequently transferred to the personal accounts of the parties concerned. So up to the date of the statutory report, the expenditure under this head proper, was Rs. 583-6-0 only and this together with subsequent additions and transfers has come to Rs 666-10-4 on 31—3—27, as detailed below :—

| | | | |
|---|---|---|---|
| V. K. L. Mudaliar | ... | Rs. 571 | 12 0 |
| K. Ramanna | ... | 75 | 0 0 |
| S. Sundara Row | ... | 160 | 0 0 |
| C. K. Sastry | ... | 50 | 0 0 |
| S. N. L. Chetty | ... | 140 | 0 0 |
| H. Nanjunda Row | ... | 20 | 0 0 |
| Saravanam & Co. | ... | 325 | 0 0 |
| | | 1,341 | 12 0 |

| Particulars | | | | Amount | | |
|---|---|---|---|---|---|---|
| Mr. Sundara Row for preparing Memorandum and Articles of Association | ... | ... | ... | 160 | 0 | 0 |
| „ C. K. Sastry for translation charges ... | ... | ... | ... | 50 | 0 | 0 |
| Printing charges | ... | ... | ... | 97 | 8 | 0 |
| Lease Registration ... | ... | ... | ... | 36 | 8 | 0 |
| Stationery ... | ... | ... | ... | 60 | 15 | 7 |
| Advertisements ... | ... | ... | ... | 93 | 6 | 0 |
| Share Certificates ... | ... | ... | ... | 143 | 2 | 9 |
| Translation Charges ... | ... | ... | ... | 20 | 0 | 0 |
| Live Stock Certificates | ... | ... | ... | 5 | 2 | 0 |
| | | | Total ... | 666 | 10 | 4 |

164. The above items do not include the following charges actually incurred by the Company and paid by Mr. Mudaliar out of the a nounts drawn on his personal account and passed by the Board.

| No. in Pr. Exp. Stt. | Date | Particulars | | Amount |
|---|---|---|---|---|
| 8 | 6—2—24 | Registration charges of the Company | ... | ... 114 0 0 |
| 14 | 18—3—24 | Sign Board with plank | ... | ... 15 0 0 |
| 15 | 20—3—24 | Stamp duty on M. and A. of Association | ... | ... 60 0 0 |
| 17 | 6—4—24 | Filing fee of Prospectus and Consent of Directors | | ... 12 0 0 |
| 23-24 | 30—4—24 | Stamp paper for declaration of Prospectus by Directors | | ... 3 0 0 |
| | 16—5—24 | Opening Ceremony expenses | | ... 100 0 0 |
| | | Other sundry items passed by Board | ... | ... 499 8 0 |
| | | | Total | ... 803 8 0 |

165. Further, a sum of Rs. 71-1-8 transferred to "Suspense" from the preliminary expenses account is a fictitious debit made up of 2 items, viz., Rs 70-4-0 and 0-13-8, being the cost of Stationery disallowed in Mr. V. K L. Mudaliar's preliminary expenses statement. These amounts having been included in Rs. 1,300-5-5, outstanding against Mr. Mudaliar, a second debit to suspense is not correct. The amount will have to be re-adjusted by credit to suspense and debit to preliminary expenses.

166. On the strength of the provision in the Prospectus, Mr. Mudaliar submitted a statement of expenditure for Rs. 2,000 out of which, items aggregating Rs. 803-8-0, as shown above, were passed by the Board and the balance disallowed. This amount, is shown by Mr. Mudaliar, as having been spent out of the sum of Rs. 1,000 said to have been collected by him from five of the Directors towards their share amounts, the balance, viz., Rs. 196-8-0 alone remaining to be accounted for by him. But neither the payment of Rs. 1,000 to Mr. Mudaliar nor the adjustment of Rs. 803-8-0 towards this advance is traceable in the accounts. The share amounts of all the Directors have been credited in the cash-book on the 16th May 24; but as the expenditure has been incurred by Mr. Mudaliar and also passed by the Board, credit will have to be given to him to that extent, by debiting the amount to the "Preliminary expenses" account.

167. The preliminary expenses will thus come to Rs. 666-10-4 + Rs. 71-1-8 + Rs. 803-8-0 or Rs. 1,541-4-0 on 31st March 27.

167(A). It will thus be seen that the figure Rs. 666-10-4 shown in the Balance Sheet for 31st March 27 is not correct.

**Mr. V. K. Lakshmana Mudaliar's Personal account:—Balance on 31-3-27.= Rs. 3,536-5-10.**

168. A statement showing the details for the above balance is attached, (vide App. M) from which it will be seen that the first item of Rs. 196-8-0 is more or less a fictitious figure, as neither the advance of Rs. 1,000 to Mr. Mudaliar nor the adjustment of Rs. 803-8-0, being the preliminary expenses said to have been incurred out of it and passed by the Board has appeared in the accounts.

169. Rs. 20, Rs. 140 & Rs. 75 appear in the accounts of both Mr.V.K.L. Mudaliar, being included in Rs 1,300-5-5 and also in the accounts of the parties concerned, the debits to the latter accounts being transferred from Rs. 1,715-2-0 shown under preliminary expenses; similarly Rs. 571-12-0 is included under preliminary expenses account, while Rs. 597 appears in the personal account also, being included in Rs. 1,300-5-5 Evidently these items have been included in both the accounts, but for which the cash balance on 20th December 1924 ought to have been Rs. 212-11-6 plus Rs. 832-0-0 plus Rs. 196-8-0 at least or Rs. 1241-3-6. There is also another item of credit which has not been brought to the cash-book, viz., Rs. 100 said to have been received from K. V. Gundu Row, and from which Rs. 29-12-0 is shown as paid for stationery; but this latter amount Rs: 29-12-0 has been separately charged in the cash-book on 20-12-24 as shown in para 82 **supra**,

while Rs 70-4-0 is included in Rs. 1,300-5-5. Consequently this Rs. 100 must also be adjusted in the accounts by credit to Gundu Row's account and debit to Mudaliar's personal account.

170. As regards transfer of Rs. 125-8-0 to Mudaliar's account from T. N. L. Chetty's account, it is not understood as to how this figure was arrived at. The amount of commission drawn in excess by T. N. L. Chetty and disallowed is Rs. 165-8-0 and this is debited to Chetty's account; aud this amount has been outstanding in that account up-to-date. As that amount also was drawn prior to 16—10—24, the date of Mr. V. K. L. Mudaliar's letter, intimating that if Chetty did not pay his dues to the Company within 24—10—24, he (Mr. Mudaliar) would pay ; and as no amount was paid by T. N. L. Chetty and the letter in question does not specify the amount to be transferred to Mr. Mudaliar's account, the whole amount outstanding against Chetty on that date should have been transferred to Mudaliar's account. Deducting the sum of Rs. 125-8-0, already transferred, there is still a balance of Rs. 185-4-0 outstanding against Chetty, which includes Rs. 5-4-0 being Chetty's dues to the Dairy, a liability iucurred later on, for which Mr. Mudaliar cannot be held responsible. The balance of Rs. 180 has to be transferred to Mr. Mudaliar's account, as shown below:—

| | | Rs. | A. | P. |
|---|---|---|---|---|
| Amount included in preliminary expenses and disallowed by the Board | ... | 140 | 0 | 0 |
| Commission on shares drawn in excess and disallowed ... | ... | 165 | 8 | 0 |
| Total | ... | 305 | 8 | 0 |
| Deduct amount already transferred to Mr. Mudaliar's account | ... | 125 | 8 | 0 |
| Balance to be transferred | ... | 180 | 0 | 0 |

171. Out of Rs. 85 debited to this account as advance of seigniorage commission, Rs. 10 paid on 3-12-24 relates to H. S. Nanjunda Row and is debitable to his account. This amount will therefore have to be withdrawn from Mr. Mudaliar's account.

172. If all the above adjustments are made, the balance outstanding against Mr. Mudaliar would be reduced to Rs. 3002-13-10, as shown below:—

| | | | | |
|---|---|---|---|---|
| Balance on 31—3—27, as per Balance Sheet ... | ... | 3,536 | 5 | 10 |
| Transfer from T. N. L. Chetty's account (para 170) ... | ... | 180 | 0 | 0 |
| Amount recovered from K. V. Gundu Row and not brought to account | ... | 100 | 0 | 0 |
| Total | ... | 3,816 | 5 | 10 |
| **Deduct.** | | | | |
| (1) Expenditure incurred on account of preliminary expenses and not brought to account (para 166) ... ... | ... | 803 | 8 | 0 |
| (2) Transfer to H. S. Nanjunda Row's account ... | ... | 10 | 0 | 0 |
| Balance to be accounted for | ... | 3,002 | 13 | 10 |

**Difference between Head Office Debits and Dairy Credits— ... Rs. 736-12-8.**

173. As per Balance sheet for 31st December 25, there was a difference of Rs. 736-12-8, between the Head Office debits and Dairy credits, out of which Rs. 269-12-3 was since traced and adjusted in the accounts for March 27, leaving a balance of Rs. 467-0-5, and this amount has been provisionally debited to the account of Messrs. V. K. Lakshmana Mudaliar & Co.

**Printed Literature & Stationery.**

174. The balance shown under this head are as follows:—

| | | |
|---|---|---|
| 31st October 1925 ... | Rs. | 200-2-2 |
| 31st December 1925 ... | | 2,577-14-5 |
| 31st March 1927 ... | | 2,097-14-6 |

175. In the first Balance Sheet, *i. e.*, for 31—10—25, only the actual stationery on hand was shown as stock on hand, the cost of all printed literature,

books, registers, forms, etc., whether used up or in stock being charged off finally under Profit and Loss; but in the subsequent balance-sheets, only such of them as have been used during the period have been charged off and the balance whether of stationery or printed books, forms etc., shown as stock on hand.

176. Though these printed registers etc, may have no market value, still it is the practice in several business concerns to value the stock on hand not only of stationery articles, but also of printed books etc., on the date of the balance-sheet. The explanation of the Managing Agents in this respect may be accepted.

**Sundry debtors:**—Head Office, 31—3—27 ... Rs. 612-5-4.

177. Rs. 325 is shown as due by Saravanam & Co., being advance paid to them for advertisement charges. The circumstances under which this amount is left outstanding for nearly four years are not understood. The claim is evidently time barred. It is a question for consideration why the officers through whose negligence the claim has been allowed to lapse should not be made personally responsible for the loss.

K. N. Narasimiah, Printers, Mysore :—Balance on 31—3—27 Rs. 102-1-4.

178. This balance is made up of two items, viz., Rs. 100 advanced to the firm on 5—2—27 against bills pending payment. This has since been adjusted as also the other item of Rs. 2-1-4, being the Dairy dues for November 25.

**Dairy Debtors—Balance on 31—3—27=Rs. 447-9-4.**

179. This is composed of several petty items outstanding in the Dairy ledger for supplies made on credit. Though under the Dairy rules, all sales were to be ***strictly for cash***, the authority under which credit sales were allowed is not understood. In the case of some of these items, ***e. g.*** Palace Stables and Hassan Abbas Sait, Rs. 33 and Rs. 5-7-0 were recovered by Arunachalliah, Dairy Assistant, and not brought to account and consequently these balances are still outstanding in the accounts. In addition to these two items, Rs. 122-12-10, was also outstanding against the Government House, Mysore, but on receipt of intimation from the Superintendent that nothing was due as per Government House accounts, the amount has been debited to the Firm's (V. K. L. & Co's) account. No action has practically been taken in the other cases, the reason adduced being that in most cases even the addresses of the parties are not known. The same cannot be said in all cases ; why a reference was not made to the Palace Stables and the truth ascertained is not also understood. As cases in which amounts due have been recovered and not brought to accounts have come to notice, it cannot be definitely stated if there are not more cases of that sort. So, unless notices are issued to all parties in the list and their replies obtained, it is not possible to say if all the items are really outstanding.

180. As regards the amount of Rs. 10 shown against the Hole Narsipur Co operative Society, it has already been shown in para 150 ***supra***, that the same was paid to B. Kesavamoorthy and the balance shown in the Balance Sheet is wrong.

**Chief agents allowance (to be recovered out of the seigniorage commission as per agreement).**

| | | Rs. | A. | P. |
|---|---|---|---|---|
| 181. | Balance on 31st December 1925 ... ... | 1,857 | 9 | 1 |
| | Add subsequent debits, *i.e.*, from 1—1—1926 to 31—3—1927 ... | 154 | 12 | 0 |
| | Add also sale proceeds of Memorandum and Articles of Association wrongly credited to this head, instead of to Profit & Loss account | 16 | 0 | 0 |
| | Total ... | 2,028 | 5 | 1 |
| | **Deduct.—** | | | |
| | (1) Cash recovery (adjustment out of suspense) ... | 184 | 15 | 0 |
| | Total ... | 1,843 | 6 | 1 |

**Deduct also.—**

| | | Rs | A. | P. |
|---|---|---|---|---|
| (2) | Amount debitable to H. S. Nanjunda Row's account included in the above ... ... | 108 | 0 | 0 |
| | Net Balance on 31—3—1927 ... | 1,735 | 6 | 1 |

182. Under Resolution No. 18 of the Sub-Committee passed at their meeting held on 13-2-27, all amounts advanced subsequent to 3-3-25, are debitable to the accounts of V. K. L. Mudaliar & Co., and as per this resolution the amount debitable to V. K. L. & Co's. account will be Rs. 1,289-0-1, the balance, viz., Rs. 446-6-0 only, being debitable to R. K. Naidu's personal account. But the amounts debited to their accounts are Rs. 1,068-4-1 & Rs. 759-2-0, respectivly.

183. So, including the adjustment of Rs. 16 and Rs. 108 the following adjustments will have to be made.—

**Debit.—**

| | Rs. | A. | P. |
|---|---|---|---|
| H. N. Row's account ... ... ... ... | 108 | 0 | 0 |
| V. K. L. & Co's. account (Difference between Rs. 1289-0-1 and Rs. 1,068-4-1, already debited) ... ... ... | 220 | 12 | 0 |
| Total ... | 328 | 12 | 0 |

**Credit.—**

| | | | |
|---|---|---|---|
| R. K. Naidu's account—Difference between Rs. 759-2-0 already debited and Rs. 446-6-0 actually due ... | 312 | 12 | 0 |
| Profit and Loss account.—Sale proceeds of Memorandum and Articles of Association ... ... ... | 16 | 0 | 0 |
| Total ... | 328 | 12 | 0 |

**Liabilities. (1) Shares.—**

184. Including calls paid in advance, the share capital account shows a balance of Rs. 21,047-9-0 and Rs. 32,986-9-0 on the 31st December 25 and 31st March 27, respectively. These figures do not appear to be quite correct. In the course of investigation, it has come to notice that in 133 cases, though amounts have been received and pucka receipts issued, share certificates have not been issued, while in another 57 cases, though share certificates have been issued, credit of the share amount is not traceable in the cash-book. As an instance of the kind, it may be stated that though Mr. Deshponde had paid the full amount of Rs. 200 on account of application and allotment on 50 shares taken by him as qualification shares as a Director of the Company by 18th September 25, no shares were allotted to him till March 27; and yet he was Director from 15—5—25 to 4—1—27, the date of his resignation.

185. The Companies Regulation does not seem to provide any penalty for such omissions beyond entitling the subscriber to withdraw the amount he has paid (vide also Rule 11 of the English Prospectus).

| | Rs. | A. | P. |
|---|---|---|---|
| **(2) Security Deposits** ... ... | 16,123 | 15 | 0 |
| Less appointing charges to be wiped off ... | 4,666 | 8 | 0 |
| Balance on 31—12—25 ... | 11,457 | 7 | 0 |

186. As regards the propriety or otherwise of showing the appointing charges as a deduct entry under security deposits, please see paras 143 (B) and 144 *supra*.

187. There may be instances in which the security deposit will have to be refunded in full, and yet the Chief Agent will have to be paid his remuneration. In the case of one K. R. Ramanatha Iyer of Coimbatore, the security deposit of Rs. 200 was paid by him on 23—9—25 for a District Agent's place, before the

agreement was entered into. But when the agreement form was placed into his hands for signature, seeing the unworkable conditions contained therein, he declined the appointment and demanded the refund of his deposit. Even when the regular appointment was not made and the service order not issued, and the matter was still under correspondence, the Chief Agent claimed Rs. 100 in this case also as appointing charges and it was paid. So in this case, against a credit of Rs. 200, there was a refund of Rs. 200 to the parity (by adjustment) and a payment of Rs. 100 to Mr. Naidu, though he was not entitled to it. This amount will therefore have to be recovered from him.

**Sundry Creditors.—**

Directors—Balance on 31—3—27 ... Rs. 930-13-5.

188. The above balance includes an item of Rs. 543-12-1, shown as due to Mr. Sundara Row, and is arrived at after deducting Rs. 39-1-5, the so called deficit of cash balance, being the difference between Rs. 39-5-10, the book balance and 0-4-5, the balance handed over by him to Mr. Mudaliar on 16—4—26. Properly speaking this is no short cash, but is explainable as follows :—

| | Dr. | | | Cr. | | |
|---|---|---|---|---|---|---|
| | Rs. | A. | P. | Rs. | A. | P. |
| (1) Difference in opening balance between the rough and fair cash-books on 31—12—25, and this has been explained in para 136 supra, (vide also Balance Sheet for 31—12—25) ... ... | 15 | 2 | 4 | ... | | |
| (2) Increase in cash balance due to the copying of Rs. 15-6-0 and Rs. 13-8-0 in the fair cash-book instead of Rs. 0-15-6 and 0-13-8 respectively as explained in para 72 supra ... ... | 27 | 0 | 10 | ... | | |
| (3) Error in totalling and balancing in the rough cash-book on 5th, 9th and 11th March 1926 (vide para 70) ... ... | ... | | | 2 | 7 | 0 |
| (4) Difference between the rough and fair cash-book on account of postage stamps for Office on 13—3—26 as per rough ... 0-8-0, as per fair ... 0-10-0 ... | ... | | | 0 | 2 | 0 |
| (5) Excess or double debit in fair cash-book on 31—3—26 on account of Dairy contingencies (once on 13—3—1926 and again on 31—3—1926) ... ... ... ... | ... | | | 0 | 8 | 9 |
| Total ... | 42 | 3 | 2 | 3 | 1 | 9 |
| Net difference ... | | | | 39 | 1 | 5 |

Unable to trace the above differences, the whole amount, *viz.*, Rs. 39-1-5 has been debited to Mr. Sundara Row's personal account.

189. Taking into account the details for the opening balance of Rs. 15-2-4 (vide para 136 supra) the details for Rs 39-1-5 work up to this:—

| | Rs. | A. | P. |
|---|---|---|---|
| Difference in opening balance between the rough and fair cash-books on 1—9—25 ... ... ... | 2 | 14 | 1 |
| Short debits or items debited in rough but omitted in fair cash-book ... | 16 | 6 | 0 |
| Erroneous excess credit in fair cash-book ... ... | 27 | 0 | 10 |
| Total ... | 46 | 4 | 11 |
| **Deduct.—** | | | |
| Excess debit in fair cash-book ... ... ... | 4 | 6 | 6 |
| Short credit in do ... ... ... | 0 | 6 | 0 |
| Error in totalling and balancing in rough cash-book ... ... | 2 | 7 | 0 |
| Total ... | 7 | 3 | 6 |
| Net balance ... | 39 | 1 | 5 |

190. It will thus be seen that out of Rs. 46-4-11, Rs. 27-0-10 will have to be credited to Mr. Sundara Row's account and Rs. 7-3-6 debited to him, the net result being that Rs. 19-13-4 will have to be credited to his account.

191. The amount due to him will therefore be Rs. 543-12-1 + Rs. 19-13-4 or Rs. 563-9-5.

**Suspense ... ... Cr. Balance Rs. 3,977-9-10**

192. In the Balance Sheet for 31st December 25, suspense debits and suspense credits are shown separately, while they are combined and the net balance only shown in the Balance Sheet for 31st March 27. From an analysis of the suspense figures it is seen that the balances of unadjusted credits and unadjusted debits outstanding on 31st March 27, amount to Rs. 4,106-6-6, and Rs 128-12-8, respectively While the former comprises items credited to this head for want of complete information, the latter consists of disallowed items and unexplained differences.

The details for the latter are.—

| | | | |
|---|---|---|---|
| (1) Amount of Mysore Bank Cheque No. B 616881 dated 19—10—25, originally debited to "Dairy" and subsequently transferred so this head (vide para 125 supra) ... ... ... ... | 50 | 0 | 0 |
| (2) Transfer from "Preliminary Expenses" account. The amount having been included in Rs. 1,300-5-5 debited to V. K. L. Mudaliar's account the debit to suspense is an excess debit and will have to be withdrawn. (Vide also para 165) ... ... ... ... | 71 | 1 | 8 |
| (3) Supposed excess cash balance on 31—10—25 as per (auditor's report). This is a wrong debit as explained in para 116 supra and will have to be withdrawn ... ... ... ... | 6 | 0 | 0 |
| (4) Amount included both under application account and the personal account of K. Sreenivasa Bhatta (L. F. 274). To tally with the excess credit, a fictitious debit to suspense was raised and the amount is till outstanding. This will also have to be withdrawn ... ... ... | 2 | 5 | 0 |
| Total ... | 129 | 6 | 8 |
| Deduct difference in the cash balance under "Petty Cash" on 31—10—25 (as per auditor's report) ... ... ... | 0 | 10 | 0 |
| Net Balance ... | 128 | 12 | 8 |

192(A). As regards unadjusted credits, no attempts are being made to analyse the large balance of Rs. 4,106 and odd, composed mostly of share amounte and Live Stock premiums, and unless this is done, these two accounts cannot bs said to be correct.

## Agents and Workers.

### Mr. Betgere, District. Agent, Dharwar.

193. In the course of examination of the files of moffussil workers, the following serious irregularities which must also amount to misappropriation of company's funds have been noticed and yet no action has, so far, been taken by the Head Office to investigate them and bring the delinquents to book. A bundle of Live Stock proposals containing 252 applications with katcha receipts attached amounting in all to Rs. 2,300-2-0 received from the District Agent, Dharwar, was lying undisposed; neither pucka receipts nor Live Stock Certificates have been issued to the parties and practically no action has been taken in the Head Office to ascertain if the amounts have been remitted to the Head Office, or how they were disposed of.

194. The fact seems to be that this District Agent was doing very good business for the company, remitting all the collections made by him and his sub-agents to the Head Office in full, then and there. But seeing that the Head Office did not promptly send pucka receipts and also the salaries of the staff, he seems to have taken the law into his own hands and kept back the collections and utilised them for salaries, loans and other purposes as he pleased, even without a formal report to the Head Office. In his general survey report on the working in the Dharwar-District, dated 16—9—25, he reported some cases of misappropriation of company's funds, forwarding, at the same time, copies of two complaints made by him to the Dharwar and Sirhatti Police against sub-agents J. D. Deshponde and Ramachendrappa Kallappa Sonor respectively, but from the file it is seen that no action was taken by the Head Office in the matter.

195. After prolonged correspondence, he has submitted with his letter dated 16—9—27, a statement of account in which he acknowledges credit of Rs 2,389-5-0 as collections made by him and not remitted to the Head Office,

and shows also an expenditure of Rs. 3,302-5-0, or Rs. 913-0-0 in excess of the receipts. But no action has, so far, been taken in the matter. One Mr. S. A. Swaminatha Iyer seems to have been sent there for investigation, but he too was not able to do anything.

196. One other irregularity noticed in the above statement of account is that the total expenditure incurred by the Dt. agent, besides his pay and allowances, is shown as Rs. 1,856-5-0, while the details works up to Rs. 1,503-14-0 only or Rs. 352-7-0 less. No action has been taken by the Head Office to ascertain the cause of this difference and adjust the same.

**H. L. Narasimha Moorthy, Inspector, Nanjangud.**

197. Even during the short period he was employed as Inpsector under the company *i.e*, from 23—7—24 to 26—10—24, he collected several sums of money from the public and misappropriated them. Series of allegations were made against the Chief Managing Agent, Mr. V. K L. Mudaliar, Chief Agent, R. K. Naidu and T. N L. Chetty, that they collected several amounts from the Inspector and others and never sent pucka receipts for the same. On receipt of complaints in the Head Office, Mr. C. K. Sastry, Director, was deputed to investigate the matter, and his report dated 29—4—25, discloses a deplorable state of affairs on the part of the above named **officers** of the company.

198. T. N L. Chetty is further reported to have **"smuggled"** about thirty reams of printing paper and sold them to outsiders appropriating the proceeds for his own use, besides collecting petty amounts from the public of Nanjangud towards their share amounts.

199. The following extracts from Mr. C. K. Sastry's report speak for themselves, on the conduct of the several officers concerned.—

(1) "The complaint of N. Moorthy is that he worked honestly and earnestly, mostly under the personal instructions of Mr. Mudaliar and in direct dealings with him, and that he had supplied butter to Mr. Mudaliar and others including his chief agent on the promises that they would adjust the bill towards the values of shares and premia of cattle registration. He also narrates to whom all he entrusted with moneys and who all failed to pay and to whom all pucka receipts were not sent, and how he complains, the chief agent illtreated him."

(2) "Santavirappa says he paid Rs. 4 for registration of an animal worth Rs. 50 to Mr. Mudaliar for which he said he would send a pucka receipt, but which was not sent and that he has nothing to blame Moorthy beyond some other irrelevant facts stated."

(3) "Venkatachallaiya asserts he paid Rs. 10 to the hands of T. N. L. Chettiar for an appointment of a sub-agency. He neither got receipt nor appointment order. That thereby he was put to immense loss and damages by discontinuing his past appointment. But does not say that Moorthy received money from him, though it was he that gave the receipt."

(4) "Meda Setti says that on the assurance given by H. L. N. Moorthy that the company will give him Rs. 500 loan, he purchased 8 shares for which the company never sent him a pucka receipt up to date."

(5) "Lingayya's statement discloses most unpleasant circumstances connected with the early promises of the agents to give him loan, his purchasing and registering animals. Asking him to execute a document, making him to bear expenses to the extent of 60 to 70 Rupees, including the amounts on 10 shares of Rs. 20 &c., and that he still did not receive a pucka receipt &c. This betrays a lot of negligence of duty on the officers entrusted by the Board and should he go to court, there will, I fear, be great risk to the company."

(6) "Honnamma says plainly that she supplied to Mr. Mudaliar about 50 + 45 seers of butter and that in her presence, Mudaliar seems to have directed Moorthy to pay her in his salary, and that he would adjust his account &c, and

she further says that Mudaliar owes her Rs. 47-8-0 (Rupees forty seven and annas eight only) on that account and that she did not also get Rs. 14 on the additional butter supplied to himself and some others whom she does not know; but Mr. Mudaliar denies all these facts."

(7) "One Raghavappa says that some reams of paper were smuggled from the company and sold by Mr. T. N. L. Chetti.

17 Reams to Krishna Press

6 Reams to one Chetti in Sayaji Row Road.

6 or 7 to Rajapatam & Co."

(8) "It is very clear from the records that all the persons appearing in the records connected with the company have had some hand in the unpopularity at Nanjangud Taluk."

(9) "I cannot forget the fact, several people share purchasers and cattle registerers, have not received their pucka receipts. In this connection I don't believe the officers concerned have not failed in their duties."

200. In concluding his report Mr. Sastry says:—"In the present matter the whole set of gentlemen, whose names are closely associated in these records are to be held responsible for the ill advised acts, they ventured to do at the early stages of the new company. Inexperience goes towards their defence.

201. Though it was a fit case for criminal prosecution, for obvious reasons, the matter was dropped. Though this Inspector was dismissed from service from 26—10—24, it is seen from the file that he collected moneys in the name of the company even on the 29th November 24 No information is, however, forthcoming as to how far the affected parties were compensated.

202. The same has been the case with almost every worker of the company, and being furnished with any number of receipt books bearing the name and stamp of the company and though most of the old agents have ceased connection with the company, the unused receipt books remaining with them have not been taken back, thereby affording them free scope for further havoc wherever possible.

203 Similar complaints have been received against one Narasayya, sub agent, Bangalore Taluk, who also collected large sums of money in the shape of share amount, and Live Stock subscriptions granting katcha receipts and the amounts have not been remitted to the Head Office at all. Notwithstanding regular complaints to the Head Office by one Appajappa of Madivala, Lakshminarasimmayya and others, no action has been taken in the matter.

204. This sub-agent collected Rs 12 from Appajappa of Madivala on kutcha receipt dated 15—12—24, (2) Rs. 8 from B. Lakshmi Narasimmayya of Begur on 30—1—25, (3) Rs. 16 from Munisamiah of Begur, and several others. Though the Managing Director in his letters dated 17—12—27 and 20—2—28 to the sub-agent has threatened him with criminal prosecution unless the amounts are remitted to the Head Office forthwith, neither has the party paid the amount nor has any action been taken against him up-to-date.

## Mr. R. S. Deshponde, B. A., LL B. Bijapur.

204 (A). Mr. Deshponde was appointed Director from June 25. From the correspondence in the file, it is seen that he sent Rs. 270, as under, for 50 qualification shares as a Director.—

| | | | |
|---|---|---|---|
| 50 | 0 | 0 | by M. O. credited on 12th May 25. |
| 100 | 0 | 0 | Two instalments of Rs. 50 each through Mr. N. R. Kulkarni, Dt. Agent, of which only one instalment has been received and credited in the cash-book on 26—6—25. |
| 100 | 0 | 0 | Two cheques for Rs. 50 each with letters dated 10th and 15th September 25 credited in the cash-book on 18—9—25. |
| 20 | 0 | 0 | Two instalments of Rs. 10 each through Mr. H. A. Kulkarni, vide Mr. Deshponde's letter dated 2—5—27. |
| 270 | 0 | 0 | |

204 (B). Towards this amount, pucka receipts for Rs.200 only were sent to him, and the balance Rs. 70 kept back by N. R. Kulkarni, *i.e.*, one instalment of Rs. 50 and the last two instalments of Rs. 10 paid into his hands. In para 4 of his letter dated 2-5-27 to the Managing Agents, Mr. Deshponde writes as follows:—

"The sum of Rs. 20 was paid by me to Messrs. H. A. Kulkarni brothers in two instalments of Rs. 10 each. They told me that they intimated the receipt of it to you and that you had deducted that sum out of their pay. Please make enquiries."

204 (C). But no action has been taken to investigate the matter and credit the amount to Mr. Deshponde's account.

204 (D). The irregularities in this case are :—

(1) Though he was a Director from June 25 to March 27, when his resignation was accepted, and though he paid his application and allotment amounts so far back as 18th September 25, shares were allotted to him in March '27 only.

(2) No information is forthcoming as to any bill of Mr. Kulkarni pending payment.

**Mr. S. A. Swaminatha Iyer, Dt. Agent Nellore.**

204 (E). Mr. Iyer was appointed Superintendent of Agencies from 26—6—27. In his inspection report on the Guntur Dt. Agent T. Venkateswaralu, he brought to notice that against Rs. 310-8-0 collected by the Dt. Agent, Rs. 223-8-0 only was accounted for, leaving a balance of Rs. 87.

204 (F). His appointment as Superintendent of Agencies was abolished from 1—11—27, and information was communicated to him, to Nellore address on 2—11—27. In the meanwhile he collected Rs. 50 on kutcha receipt No. 1 from Satyanarayana on 30—10—27, and another Rs. 150 on 11—11—27 from Panchangula Subba Row (the latter after his appointment as Superintendent ceased), and instead of remitting the whole amount to the Bank for credit to company's account, utilised the same for his own use towards his pay and travelling allowances, as under.—

| | | Rs. | A. | P. |
|---|---|---|---|---|
| T/A bill for July and August 27... | ... ... | 153 | 0 | 0 |
| Pay and allowance for October 27 | ... ... | 133 | 0 | 0 |
| | Total ... | 286 | 0 | 0 |
| | Deduct ... | 200 | 0 | 0 |
| | Balance due to party ... | 86 | 0 | 0 |

The matter is still under correspondence.

**Mr. M. K. Sampatkumaran's case.**

**His first petition dated 29th November 26 to the Hon'ble the British Resident in Mysore.**

205. Mr. M. K. Sampatkumaran was first appointed Dairy Farm Manager on Rs. 50 p.m. on 22—10—25, on his furnishing a cash security of Rs. 550 and paying Rs. 60 towards application amount for 30 shares. But as the security amount was not sufficient, it was supplemented by a loan of Rs. 250 to him, as if for cattle purchase, thereby raising the security deposit to Rs. 800 and pucka receipt No. 2710 was issued to him for Rs. 860 crediting Rs. 800 towards security deposit and Rs. 60 towards share subscription, after taking from him a voucher for Rs. 250 for the amount debited to his account. An agreement was also taken from him. But as the appointment was not to his taste, he resigned it on 5th November 25, and as desired by him in his letter dated 18—1—26, the following adjustments were made :—

| | Rs. | A. | P. | |
|---|---|---|---|---|
| (1) | 200 | 0 | 0 | Transferred to his brother M. K. Srinivasan's account, as security deposit for his appointment. |
| (2) | 240 | 0 | 0 | Towards share calls, thus completing 30 fully paid up shares. |
| (3) | 110 | 0 | 0 | Transfer to his personal account. |
| (4) | 250 | 0 | 0 | The loan of Rs. 250 cancelled. |
| | 800 | 0 | 0 | |

Out of Rs. 110 transfered to his personal account he had already drawn Rs. 40, as admitted both by him and the office. (Vide letter No. 4333 dated 18—1—26 to Mr Sampatkumaran).

206. In this connection it has to be stated that against the cash refund of Rs 40 above referred to; the cash-book and ledger show Rs. 20 only, and consequently a balance of Rs. 20 is shown as still due to him. But this is not correct. The brother too having resigned the post, the security deposit of Rs. 200 was retransferred to Mr. Sampatkumaran's account, as per his letter dated 19—2—26, by deducting Rs. 50 towards the cost of a type-writing machine sold to him and adjusting the balance of Rs. 150 for another fifteen fully paid up shares. Out of Rs. 70 due on personal account, Rs. 30 was deducted towards incidental charges, as per mutual consent, and the balance Rs. 40 paid to him on the 11th and 15th February 26.

207. The final outcome of all the above adjustments is that he is now the holder of 45 fully paid up shares in the company. Finding all attempts to get back his money useless, as refund of share amounts was not permissible under the rules, he applied for the post of office manager, and under an agreement entered into on the 14th June 26, he was appointed office manager on certain conditions, the most important of them being :—

cl. (1) To hold 50 shares and be responsible to recover all assets of the company and deposit them in the company's bank, and meet all kinds of liability and establishment of the Company promptly in every month, without giving room for any sort of complaint and thus manage the office efficiently. All the institution and legal charges to be borne by the manager himself.

cl. (6) To be responsible to bring all the accounts of the business of the company up to- date, without any arrears of suspense account, Live Stock and shares &c., **within one month from the date of his appointment.**

cl. (11) The company to pay the manager a monthly salary of Rs. 50 rising to Rs. 100 on a graduated scale, varying with the profits, *i.e.*, when the company declares 6% dividend, the manager is to get a monthly salary of Rs. 75, for 9% a salary of Rs 85, for 12% a salary of Rs. 100 and an increment of Rs. 15 per mensem for every Rs. 25,000 paid up capital, till a maximum salary of Rs. 200 is reached.

cl. (12) To be responsible, to make good the losses of the firm of the managing agents and the company, if he fails to fulfil any of the conditions of the agreement.

208. Knowing full well that the affairs of the company were in chaos and confussion and that Mr. Sundara row, office managing agent and all the office staff had resigned, and knowing also that all attempts of the Directors to bring about a general meeting had failed, Mr. Sampatkumaran signed the above agreement, and reported himself for duty, on the 14th June 26. For some reason or other, effect was not given to the arrangement, the chief of them being that he did not possess the necessary share qualification. Thus disappointed, he applied for a loan of Rs. 300 on the 8th December 26 and in reply, his attention was drawn to rule 1 under "agriculture" in the English Prospectus, under which loans could be granted only to those who had kept their shares **in force for 2 full years**, though in several other cases, *e.g.*, Rs. 200 to Venkatasubbiah Rs. 100 each to Thimma Setty

and Srinivasa Varadachar of Nanjangud, the loans were issued first and from them, share subscriptions and Live Stock premiums deducted at the time of the issue of the loans *viz.*, on 27—9—24.

209. Finding this attempt also fruitless, he finally applied for the post of an organising Inspector and he was appointed as such, for the Mysore, Bangalore and Kolar Dts. from 1st March 27 on Rs. 150-10-200+a consolidated allowance of Rs. 125, per mensem, subject to certain conditions and an agreement was also entered into on 26—2—27, the more important of the conditions being,

(1) That he should deposit in the Company's Bank in Company's name, within 5 months, Rs 300 for thirty shares in addition to the 45 fully paid up shares already held by him, to qualify himself for the post of organising Inspector.

(2) To appoint 9 supervisors within the first 3 months, at three per month (which means that he should arrange to bring to the coffers of the Company 9 × 250 Rs. or Rs. 2,250, within the first three months in the shape of qualification shares).

(3) To guarantee to get registered at least **10,000 animals**, through supervisors and his personal efforts and **keep them in force on the roll every year.** (This means that he should guarantee an income of Rs. 10,000 per annum, in the shape of Company fees, an impossible task seeing that not even 7,500 animals have been registered by about 15 or 16 Inspectors up to end of March 28, *i.e.*, during the last 4 years).

210. Even before executing the agreement, he wrote to the Managing Director in his letter dated 24—2—27, that his salary might be paid **in proportion to the work turned out,** and yet he asked for an advance of allowance before starting on his work. But he was informed that he could have the advance only after appointing one supervisor at least in his jurisdiction. After entering on his duties, he again applied on the 3rd March 27, for some advance to meet advertising expenses at least, which might come to about Rs. 30 and also agreed to meet the other charges from his own pocket till one supervisor was appointed.

211. From the progress report submitted for the month of March 27, it is seen that he visited Seringapatam, Melkote, Nagamangala and Bangalore between the 3rd and 18th March 27, and beyond some propaganda work said to have been done in those places he was not able to appoint even one supervisor, nor canvass one share, nor register even one animal in the L. S. Insurance scheme; and during the remaining period of the month, the Progress report shows that he did not do any work at all. So when he submitted his salary bill for the month, his attention was drawn to clause (2) of his agreement and he was again distinctly informed that unless he completed the appointment of three supervisors, as laid down therein, his pay and allowance for the first month would not be paid. An advance of Rs. 33-12-0 was, however paid for advertisement and printing charges and it is still outstanding against him. Not having done any work and fulfilled the terms of his agreement, his agreement was cancelled under cl. 13 thereof, by resolution of the sub committee on 6—6—27.

212. Since then he has not been doing any work; and taking advantage of the fact that there have been party feelings between the old Directors and the present Managing Director, he has been trying to set up one party against the other.

213. As regards the other allegations made in his petition, those relating to the purchase of land by the company, the anomalies existing in the Balance Sheets for 31st October and 31st December 25 are dealt with in separate paragraphs.

**His second petition dated 26th December 27, received with Registrar's No C. 575 of 27—28 dated 4—1—28.**

214. The new facts brought forth in this petition are,

(1) That Mr. Gangaraju, the present Managing Director, paid salaries to other organising Inspectors outside the State, though they too did not do any-work like himself.

Whether Mr. Gangaraju showed special favours to others is none of Mr. Sampatkumaran's business, as the time and conditions of their appointments were different. As he did not do any work and did not bring in any income to the company during his tenure of office, he did not get anything.

(2) The second allegation is that the Managing Director lodged a frivolous criminal complaint against Mr. Ramanna. In this connection reference is invited to para 162 **supra**. The case is still ***sub judice***.

(3) The next is that the Managing Director induced Mr. S. K to write to the Police authorities to get the Managing Agents prosecuted. The copy of the complaint intended to be sent to the Police Superintendent together with Mr. Sampatkumaran's statement is attached (vide App. N). It was stated that this was not the exact copy he sent to the Police Superintendent, but some other, and of which he had no copy with him.

Though the managing Director was not justified in setting up such people, still it is clear that Mr. Sampatkumaran was simply a tool in the hands fo others.

(4) As regards the dismissal of Mr. Ganga Raju by the old Directors, there is nothing on record either in the Boards resolutions or any resolution of the general body to that effect, No doubt, a series of charges were brought against Mr. Gangaraju by Mr. V. K. L. Mudaliar and after mature consideration the Board decided in Mr. Gangaraju's favour; copy of Mr. Sundara Row's note dated 19-4-27 in this connection is attached. (App. O)

It was the Board of Directors that appointed Mr. Gangaraju and not the managing agents (vide Boards Resolution dated 14th Novr. 26) In this connection reference is invited to the counter advertisement in the "Hindu" of the 10th September 27 by Mr. Gangaraju, contradicting the above. A copy of the advertisement is attached. (App. P).

(5) In clause 3 of Mr. Gangaraju's agreement, it is stated that he shall "be responsible to get registered atleast 10,000 animals within a year from the date of his agreement, throughout the working sphere of the company and keep them on the roll every year"

215. In this connection it has to be stated, that the number of animals registered in the company's books till 31st December 27, *i.e.*, during the first 13 months after Mr. Gangaraju's taking charge was only 1647, or even less than one sixth of the number agreed upon. Seeing that it is more or less an impossible condition this clause has been omitted in the revised agreement.

## Company's Borrowings.

216. Under art 51 of the articles of association, sanction of the Board of Directors is necessary for borrowing any amounts on behalf of the Compay. The following are among the amounts borrowed without such sanction and at usurious rates of interest.

(1) Two loans of Rs. 600 each from Holaram Kupchand and Gangaram Ramdoss on 12th and 22nd September 1925, after deducting Rs. 41-4-0 and Rs. 37-3-0, respectively, towards interest, in advance.

(2) Another loan of Rs. 1,000 from Kotumal Ramchand on 4—12—25 on an on-demand pronote executed by Messrs. V.K. L. Mudaliar and Sundara Row repayable with interest at 18% per annum and on the Collateral Security of the registered sale deed of the Bilikere Estate recently purchased from Mrs. Kenchiah and the following payments were met there from.

| | | | | | | | Rs. | A. | P. |
|---|---|---|---|---|---|---|---|---|---|
| (1) | Interest deducted in advance | ... | ... | | | ... | 70 | 0 | 0 |
| (2) | Deposit in City Co-operative Society | ... | ... | | | ... | 419 | 0 | 0 |
| (3) | Varadaji (Mr. Sundara Row's account) | | ... | | | ... | 152 | 0 | 0 |
| (4) | Dairy payments | do | ... | ... | | ... | 54 | 0 | 0 |
| (5) | Mr. A. J. Ram | ... | | Rs. | 100 | 0 0 | | | |
| (6) | Toopandas | ... | | | 50 | 0 0 | | | |
| | | | | | | | 150 | 0 | 0 |
| (7) | Kyathanahalli Dairy | ... | ... | ... | | ... | 35 | 0 | 0 |
| (8) | S. N. Varadaraj | ... | ... | ... | | ... | 10 | 0 | 0 |
| (9) | Milk Suppliers | ... | ... | ... | | ... | 100 | 0 | 0 |
| | | | | | | Total ... | 900 | 0 | 0 |

217. Out of Rs. 419 credited in the City Society, Rs. 300 were drawn on the following day, *i.e.*, 5—12—25 and paid to Mrs. Kenchiah towards the 2nd pronote amount.

218. Besides want of sanction of the Board, the other irregularities noticed in connection with this last loan are:—

(a) Considering the fact that the balance on hand, as per Dairy cash-book, was Rs. 663-11-11 on the 4th December 25, and that Rs. 551-0-0, as detailed in the margin, was all that was required for immediate payment, these should have been met from the balance on hand. This action on the part of the managing agents in borrowing the amount without proper sanction was highly unjustifiable. Even for the payment to Mrs. Kenchiah, the Sub-Committee's resolution of the 4th Novr. 25 was that the Managing agents should see that the amount was to be paid from the assets of the company, and if this procedure were not possible, they should pay the same from their pockets and adjust when funds available from the company. This does not mean that the managing agents should borrow in the name of the company at usurious rates of interest.

| | | | |
|---|---|---|---|
| Mrs. Kenchiah | ... | Rs. | 300 0 0 |
| Varadaraji (Mrs. S. S. Row account) | ... | | 152 0 0 |
| Dairy payments | do ... | | 54 0 0 |
| Kyathanhalli Dairy | ... | | 35 0 0 |
| S. N. Varadaraj | ... | | 10 0 0 |
| | | | 551 0 0 |

(b) Rs. 100 and Rs. 50 shown as paid to Mr. A. J. Ram and Toopendas, respectively, appear to be fictitious entries. These items are debited to the Head Office in the Dairy Accounts, but there is no corresponding credit in the Head Office cash book, nor are vouchers forthcoming in support of the debit. (Vide also para 115).

(c) As remarked by Mr. Sundara Row at the foot of the pronote, that as collateral security, the registered sale deed of Bilikere lands in favour of the company has been deposited with Mr. Kotumal Sait this fourth day of December 1925," the borrowing was on the mortgage of some property belonging to the company. It is therefore a question for consideration whether the case does not fall under section 109 of the Regulation and whether the company is not required to report the mortgage to the Registrar as required therein. It has also to be stated that no register of mortgages has been maintained, as required in section 117.

### Loan Bonds and Loan Register.

219. The Loan Register and the Loan Bonds were examined and the following irregularities noticed therein:—

(a) Under Rule 1 of the English Prospectus, loans are to be granted to qualified share and Live Stock Certificateholders of the company, *i. e.*, only those that have paid the calls on shares or premiums on due dates and have kept their certificates in force for two full years, and yet, loans were issued to the

favoured few, even before the parties paid their share amounts and Live Stock premiums, deducting the same out of the loan issued. (*e.g.*)—

| | Date of loan | Amount of loan | | | Share Subscription | | | L. S. Premium | | | Interest | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Rs. | A. | P. | Rs. | A. | P. | Rs. | A. | P. | Rs. | A. | P. |
| 1. Venkata Subbiah of Nanjangud ... | 27— 9—24 | 200 | 0 | 0 | 40 | 0 | 0 | 18 | 0 | 0 | 15 | 0 | 0 |
| 2. Thimma Setty of Nanjangud ... | 27— 9—24 | 100 | 0 | 0 | 24 | 0 | 0 | 7 | 8 | 0 | 7 | 8 | 0 |
| 3. Srinivasa Varadachar ... | 27— 9—24 | 100 | 0 | 0 | 24 | 0 | 0 | 4 | 8 | 0 | 7 | 8 | 0 |
| 4. Kajane Lingayya ... | 27—12—24 | 150 | 0 | 0 | ... | | | 12 | 0 | 0 | 13 | 8 | 0 |

(b) In some cases, neither bonds, nor even the addresses of the parties are available (*e.g.*)—

(1) N. S. Sreenivasa Row—Rs. 100 on 26—12—24. No bond. Payment made to one Nanjunda Row on a stamped receipt obtained from him. Neither letter of authority nor any office notes or other records sanctioning the loan are forthcoming. The transaction is not free from suspicion.

(2) K. L. Kristnan—Rs. 330.

The amount was advanced to him for purchase of buffaloes for opening Dairy at Bangalore. The buffaloes were purchased and entrusted to his care. These buffaloes were attached by a civil court debtor and taken away; though intimation of attachment was received by the managing agents on 26—5—26, no action was taken in the matter. Though Rs. 330 is shown in the Loan Register, it is not included in the detailed statement of loans, but another Rs. 389-0-0 is shown as outstanding against him under "Sundry debtors," being included in Rs. 2,338-3-3. No action has been taken to adjust the same.

(3) N. R. Kulkarni—Rs. 102 on 21—7—25.

This is an advance of salary remitted to him by T. M. O. and includes Rs. 2 on account of M. O. charges. No bill for arrears of pay is stated to be pending. The amount has been transferred to the loan account. The amount appears to be irrecoverable, as he is no longer in the company's service.

220. There are several such items outstanding under sundry debtors.

(c) The following are some of the cases in which, loans have been issued for security deposits and other adjustments, as under.—

(1) **B. Rajam Iyengar**—Rs. 300-0-0 on 24—2—25.

There is no bond and no voucher. Out of Rs. 300 shown as advanced, Rs. 200 has been deducted towards Security deposit and Rs. 5-8-0 kept under suspense. No action has been taken to recover the amount and moreover the claim is time barred.

In addition to the above another item of Rs. 40 is also outstanding against him under sundry debtors, being advance of travelling allowances drawn by him.

(2) **Venkata Row Vaze.—Rs. 663-4-0.**

Rs. 878 plus Rs. 5-4-0, being the amount of Pucka receipts Nos. 3361—3472 &c., collected by G. R. Vaze, Shimoga District agent, has been adjusted in the accounts as shown below :—

**Credits**

| | Rs. | A. | P. |
|---|---|---|---|
| Security Deposits ... | 250 | 0 | 0 |
| Live Stock Premium ... | 240 | 0 | 0 |
| Live Stock Certificate ... | 40 | 0 | 0 |
| Share Account ... | 348 | 0 | 0 |
| Live Stock Premium on 30—5—26 | 5 | 4 | 0 |
| Total ... | 883 | 4 | 0 |

**Debits**

| | Rs. | A. | P. |
|---|---|---|---|
| Salary and allowance to V. G. Vaze ... | 220 | 0 | 0 |
| Loan on Pro. notes—No. 1 ... | 463 | 4 | 0 |
| No. 2 ... | 200 | 0 | 0 |
| Total ... | 883 | 4 | 0 |

Though this is purely an adjustment entry, the credits and debits did not pass through journal, but adjusted in the cash-book only, not on one and the same day, but on different dates as under—

| Credits | | | | | Debits | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Rs. | A. | P. | | | Rs. | A. | P. |
| 19th May 26 | ... ... | 200 | 0 | 0 | 17th May 26 | ... | 200 | 0 | 0 |
| 14th May 26 | ... ... | 678 | 0 | 0 | 31st May 26 | ... | 683 | 4 | 0 |
| 30th May 26 | ... ... | 5 | 4 | 0 | | | | | |
| Total | ... | 883 | 4 | 0 | Total | ... | 883 | 4 | 0 |

The fact being that this District Agent appropriated all his collections for his own use, and when found out, this adjustment was effected, and that too without the sanction of the Board. He is no longer in the service of the Company ; how this amount is going to be recovered is not known.

(3) Similary the loans of Rs. 200 outstanding against Jagannatha Mudaliar and Ramaswamiengar, Rs. 250 against H. L. Narasimha Moorthy, Rs. 300 against Mr. R. K. Naidu and others also fall under the same class.

**(4) D. Puttuswamiah—Rs. 25.**

Out of Rs. 225 advanced to D. Puttusamiah, Inspector, Channapatna, on 18—12—24, for issue of loans, four loans of Rs. 50 each were issued by him and intimated to the Head Office, and the balance of Rs. 25 remained unaccounted for. This has been treated as a loan made to him. But neither a bond nor a separate voucher is forthcoming for this loan. The claim is time barred and as the party too is not traceable, there is no chance of its recovery.

221. So out of 77 items aggregating Rs. 6,809-3-1 outstanding under this head, suits have been filed in 30 cases, and how far the amounts are recoverable remains to be seen.

## Purchase of Typewriting Machines.

222. A second-hand machine was first purchased on 8th July 1924 for Rs. 95 and within 20 days of the purchase, it was thrown out as useless, and another second-hand machine purchased for Rs. 175 on the 28th of the same month; and within less than six months, i. e., on the 4th January 1925 and in the teeth of opposition by Messrs C. K. Sastry, A. J. Ram and B. Narasimha Iyengar of the Finance Committee, whose sanction was necessary for such purchases, a third machine was, at the instance of Mr. Sundara Rao, the office managing agent, purchased for Rs. 295, in exchange for the second machine deducting Rs. 105 therefor, the net amount paid being Rs. 190.

223. The first machine which cost the company Rs. 95 was sold for Rs. 50. The loss to the company was thus Rs. 45 + Rs. 70 on the 2nd machine or Rs. 115 in all, within less than six months.

224. How far, the action of the office managing agent was justifiable, it is not possible to say.

## Grazing Field Contracts.

225. The company took on lease two grazing fields, viz., Curzon Park and the Tennis Court Maidan near Dodkere for Rs. 155 and Rs. 431-4-0 respectively. From Mr. Sundara Rao's letter, it is seen that these leases were taken up by Mr. V. K. L. Mudaliar without either the sanction of the Board or even his (Mr. S. S. Row's) own knowledge, consent or ratification, as a partner of the firm. The first was subleased to one Ramiah for Rs. 250 and a bond taken from him. **But the bond was missing.** Though from Messrs Sundara Row and Mudaliar's letters in the file, it is seen that it was with Arunachalliah, Dairy Assistant, he denies it. As per Sub-Committee's resolution of the 13th February 1927, the amount of the Bond, viz., Rs. 250 has been debited to the Managing Agents' account

226. As regards the other lease, Arunachalliah collected Rs. 160 and utilised it for his own purposes, without the sanction of the Managing Agents. But as he admitted the same before Mr. V. K. L. Mudaliar (vide Mr. Sundara Row's letter dated 30-1-27), this amount was adjusted by credit to grazing field account and debit to Arunachalliah's salary.

### Purchase of buffaloes for the Dairy.

227. Five buffaloes at a cost of Rs 330 were purchased by one Mr. S. Dharmarajan of Bangalore, on 12-9-25, for the Dairy Farm at Bangalore (Malleswaram) and were subsequently in the custody of K. L. Krishnan, till they were brought to Mysore on 12-12-25, as per letter of Mr. Mudaliar dated 10-12-25. Though the animals reached Mysore on the 12th December 25, Mr. Mudaliar, in his adjustment memo dated 27-3-27 has claimed feeding charges for these animals at Mysore for half of October and November 25, i.e., for 1½ months at Rs. 12 per animal per month, though the animals were not at Mysore during those months. It is on this score that Mr. Sundara Row in his memo dated 19-4-27 has stated as follows:—

"Considering the fact that Mr. Mudaliar has submitted some false bills to the company and has dared to make a false statement in his adjustment report that the Dairy animals (buffaloes), were grazing since October 26, when the company owned no animals". Under the above circumstances, it is not possible to say how far these accounts can be relied on.

### Live Stock Compensation Scheme.

228. There are at present 2 old registers from No. 1 to 3357 and 2 new, the latter alone being printed. Out of the old 4357 cases, Live Stock Certificates were issued in 459 cases only, of which 74 only are in force and these have been brought to the new register.

229. Total No. of animals registered to end of March 28 and have been on the rolls including the 74 old cases is 7483, and pucka receipts have been issued in 6966 cases and Live Stock Certificates for 6255. The No. of cases pending registry is about a thousand

230. Regular Ledgers, of which there are at present 11 Volumes, have been maintained and contain complete information regarding dates of registry, issue of pucka receipts, amounts collected &c., the last No. in the last volume posted being 5483.

231. A separate register is also maintained for noting death claims and is posted up-to-date

| | | |
|---|---|---|
| No. of Death claims registered to end of March 28 | ... | 41 |
| do disposed of | ... | 21 |
| do rejected | ... | ... |
| do pending | ... | 20 |
| Amount of Death claims paid | ... | Rs. 223-1-0 |

### Present Management.

232. Under the present management, most of the defects pointed out in the Dy. Commissioner's report have been remedied and the several registers posted up-to-date. Most of the old workers have been weeded out and a new set of agents entertained and the business of the company is now carried on more briskly and systematically than before.

233. The present Managing Director Mr Ganga Raju has executed a new agreement, but this has not yet been registered. According to this agreement, Mr. Gangaraju has been invested with extensive powers, and Art. 120 of the Articles of Association has also been suitably modified, at the last general meeting held on 10th October 27 and confirmed on 31—10—27, wherein the appointment of a Managing Director has been provided for.

234. As at present constituted, besides Mr. Gangaraju, the Managing Director, there are three other Directors, one at Sivasamudram, another at Kumsi,

and the third in the Tanjore District. So, practically, the whole control of the company's affairs is centred in one individual, the finance and organising committees originally constituted under a resolution of the old Board of Directors having ceased to exist. In the absence of other Directors at Head-quarters and an efficient inspecting staff to check the work of moffussil agents, it will be physically impossible for one man, however capable he may be, to exercise an effective control, both on the work of the head office and at agencies. Considering the volume of business that is now being carried on, in the far off countries, such as Dacca, Asansol, Mymensingh and several parts of the Madras and Bombay Presidencies, Coorg &c., and the heavy responsibility involved, the formation of a strong Board at Head-quarters seems highly desirable. By this, I am not casting any sort of slur or reflection on the present management, b it only suggest further safeguards in the interest of the shareholders. But, I think, this is a matter more for the shareholders, to consider.

235. As per list furnished by the Managing Director, there are at present on the rolls of the company, one Branch Secretary at Calcutta, 16 Organising Inspectors on Rs. 150 + 125 consolidated allowance, 123 Supervisors on Rs. 50 + 25, and 284 sub-agents paid by commission according to the work turned out by them. So, besides the establishment in the head office, costing about Rs. 700 per mensem including house rent and contingencies, the monthly cost on account of out door staff alone ranges from four to five thousand rupees per month. In this connection it has to be stated that the bills of moffussil agents passed for the month of April 28 and paid in May, amounted to Rs. 4,077 and odd.

236. The cash on hand with the Managing Director on 1—10—27 was examined and found correct.

237. The balance at credit of the Company in the several Banks, with which, it has got accounts, was Rs. 22,000 on 31—3—28. (Rupees twenty two thousand only) in round figures, excluding the sum of Rs. 940 shown against the Hirimannur Co-operative Society, Dharwar District and referred to in para 152 *supra*.

238. A consolidated profit and loss account from the commencement to end of March 28, (with preliminary figures for March 28) is attached, from which, it will be seen that the net loss to the company is about thirty thousand rupees in round figures. This loss is arrived at, after deducting the sum of Rs. 20,392 and odd under assets, which are of doubtful recovery, as shown below.—

(1) **Land—Rs. 2,804.**

This does not yield even the kandayam of Rs. 28-13-0 payable to Government and under present circumstances, it is very doubtful if it can be turned to good account at all.

(2) **Preliminary expenses and Commission on shares—Rs. 1,118.**

To this will have to be added another Rs. 874 (vide para 167 supra) or Rs. 1,992 in all. This is not a recoverable asset, but only an expenditure to be wiped off gradually, instead of in one year.

(3) **Stationery and Printed Literature—Rs. 2098.**

As explained in para 175, this has no market value and is consequently an item of loss only.

**(4) Loans—Rs. 6,809.**

Out of this amount Rs. 1,115 only is advanced on the security of moveable and immoveable properties. Though suits have been filed in about 30 cases or so, a major portion of the amount is irrecoverable.

(5) **Sundry Debtors—Rs. 4,680.**

Very many items comprising the above figure are mere book adjustments and these also are of doubtful recovery.

(6) To the above will have to be added Rs. 847 paid to Mr. Banumiah in connection with the pronote executed by the managing agents in favor of Mrs. Kenchiah, as also the balance of the 2nd pronote for Rs. 1,350., viz., Rs. 350 with interest up-to-date.

239. It will thus be seen that including all the above items, the net loss to the company would come to Rs. 48,273 or about fifty thousand in round figures. But for the fortuitous income of Rs. 14,406 from forfeitures of Security Deposits, the total loss to the Company would have been between sixty-two and sixty-three thousand rupees.

240. Now that out of Rs. 13,660 outstanding under security deposits on 31—3—27, Rs. 9,210 has been forfeited during 27—28, a balance of Rs. 4,450 only is all that is available for further forfeitures and repayments, if any; since the system of security deposits has now been discontinued and share qualifications introduced instead, the only sources of income are the Live Stock premiums and registrations fees.

241. In this connection it has to be stated that out of 14 or 15 circles at present working, it is only the Chidambram Circle Organising Inspector that has registered 3293 animals out of a total of nearly 7,000 animals registered during the year, for the Company as a whole, with an average of 1070 animals per month, duing the months of January, February and March 28. Virudanagar follows next with 2444 animals or an average of only 200 animals per month, the income contributed by these two alone being Rs. 13,090 and Rs. 9088 or Rs. 22,178 against Rs. 24,532, realised by the Company as a whole. The remaining 12 or 13 circles have contributed only about 1,250 animals with an income of Rs. 2,354 or thereabouts, which gives an average of 100 animals and Rs. 200 income per annum.

**Summary.**

242. The main objects with which the company was started, viz., "Purchase of the Stock in trade of the Keragahalli Estate and taking on lease the Keragahalli Indigo Estate" both intended solely for the personal benefit of Mr. V. K. Lakshmana Mudaliar, having been cancelled, the other objects enumerated in clause III of the Memorandum of Association, relating to public benefit have been relegated to the back ground (paras 11 and 25).

(2) Non-disclosure on the part of Mr. Mudaliar regarding the several legal defects existing in the lease of the Keragahalli Indigo Estate to the Board of Directors (paras 14 (e) and 16).

(3) Unauthorised alterations and interlineations in the lease deed, before it was taken to the Sub-Registrar's Office for registration [para 14 (b)].

(4) Though under the rules of the constitution, the Organising Committee had no financial powers of any kind, sanction of the loan of Rs. 5,000 and the writing off of the lease advance of Rs. 720 in favor of Mr. Mudaliar were irregular (para 22).

(5). Unauthorised appropriation of Rs. 375 from the Head Office and Rs. 400 from the Dairy, by Mr. Mudaliar for his own purposes, passing on, On-demand pronotes, without the sanction of the Board or Sub-Committee (paras 23—24).

(6) Misrepresentation and fraud, noticed in the purchase of Mrs. Kenchiah's lands, the hasty way in which the bargain was settled, the heavy loss incurred by the company in the transaction, the continued omission to take into account, the two pronotes for Rs. 700 and Rs. 1350 executed in favor of Mrs. Kenchiah, for all of which, the managing agents, if not the whole Board of Directors, cannot absolve themselves of all responsibility and blame (para 38).

(7) Misrepresentation to the Registrar of Joint Stock Companies, by the Managing Agents that the amount of Rs. 2,000 being the value of 200 fully paid up shares allotted in favor of Mr. Kenchiah, as for cash consideration an not book adjustment, liable to be brought under section 104 (1) of the Companies Regulation. (Paras 39 and 41.)

(8) The bogus lottery and the objectionable methods adopted by Messrs. Mudaliar and Ramanna in inducing people to take shares (para 45).

(9) Unauthorised appropriation of amounts collected by Messrs. V. K. L. Mudaliar, Ramanna and Arunachalliah on receipts passed by them to the extent of Rs. 503-1-2 without bringing them to the cash-book at all. (Para 130).

(10) Appropriation of Company's funds for their own purposes, as shown in the rough cash book, but omitted in the fair, thereby including them under cash balances, though cash was not there. (Para 101).

(11) Falsification of accounts and showing of fictitious cash balances in the cash books, while as a matter of fact, there was not even rupees seven (Rs. 7-0-0) on hand for payment of an urgent demand, necessiating the drawing of Rs. 8-0-0 (rupees eight only) from the Bank, though according to the cash book, the cash balance for the day exceeded Rs. 1,500. (Vide paras 72—73 & 159).

(12) Unauthorised advances of Rs. 75 to Mr. Mudaliar as advance of seigniorage commission and Rs. 70 to Mr. B. Narasimha Iyengar as advance of legal charges on 12—1—25, the date of the Statutory Meeting, towards adjustment of their share calls, but for which they would have been defaulters and could not attend the Statutory Meeting. (Paras 85—87).

(13) Cash book, full of erasures and overwritings, more especially in the Dairy Branch, where in the case of an item of Rs. 68-9-3, the original receipt entry; in fact the whole line in the cash book, has been completely erased and Rs. 68-9-3 inserted instead, as received from Mr. R. K. Naidu, Chief Agent, in cash, though he had given a letter of authority to the Managing Agents to adjust the same out of the remuneration payable to him. (Paras 103 & 104).

(14) Incorrect balances shown in the Balance sheets, especially those relating to Banks on 31—12—25 & 31—3—27. (Paras 149—158).

(15) Irregular transactions connected with the purchase and sale of the type-writing machines of the office, as also the grazing field contract. (Paras 222—225).

(16) Mr. V. K. L. Mudaliar's attempt to defraud the Company in claiming feeding charges for the Company's animals for October and November 25, amounting to Rs. 90-0-0, though the animals (buffaloes) were received in the Dairy, only on the 12th December 25. (Para 227.)

(17) Unauthorised borrowings by the Managing Agents, contrary to the provisions of Art. 51 of the Articles of Association, and on the collateral security of the registered sale deed of the landed property purchased from Mrs. Kenchiah, without reporting the same to the Registrar, as required in section 109 of the Regulation and the unauthorised appropriation of Rs. 150 (rupees one hundred and fifty) out of the loan of Rs. 1000 borrowed from Kotumal Runchand on 4—12—25 by fictitious entries as paid to Mr. A. J. Ram and Toopindas. (Paras 216—218).

(18) Loss of an insured letter received from Sub-Agent Bishtiah of Narasimharajpura by Mr. K. Ramanna and omission to credit to the cash book the sum of Rs. 35 contained therein. (Para 131.)

(19) Failure to take prompt action in the matter of the recovery of the amounts outstanding against sundry debtors, especially in the Dairy branch. (Para 179).

(20) Collection of large amounts by V. P. Betgeri, District Agent, Dharwar, H. L. Narasimhamoorthi and other moffussil workers and misappropriation thereof and the failure on the part of the Head Office to take legal steps in the matter. (Paras 193—204).

(21) Missing loan bonds and agreements, i. e , of C. S. Srikantiah and of the grazing field contract. (Paras 94-& 225).

## Conclusion.

243. From all the above it is seen that owing to gross mismanagement on the part of the Managing Agents in the past, who neither maintained correct accounts nor cared for the interest of the shareholders, the company was reduced to this miserable state.

244. All these irregularities, viz., falsification of accounts, unauthorised appropriation of company's funds for private purposes, payments without proper vouchers and authority, and unauthorised advances of all sorts are noticed at the commencement itself, even before the statutory meeting and yet the Board of Directors did not see their way to remedy them.

245. The heavy establishment and other charges incurred without any adequate return and Rs. 9,000 and odd drawn by Mr. Mudaliar in the shape of loans and advances on his personal account, as well as in the name of the Managing Agents' firm, have all contributed to the heavy loss.

246. Though the first Directors were fully aware of all these circumstances, it is regrettable that the Board did not exercise any sort of control over the actions of the Managing Agents, who cared only for their own personal benefits, at the expense of the shareholders.

247. Huge sums of money have been spent on account of salaries and remuneration to agents and workers, which alone have gone above Rs. 65,000, out of a total expenditure of Rs. 81,000 and odd, while the income from all sources was only about fifty-one thousand rupees. Including the doubtful assets enumerated in paras 238-39, the net loss to the company would come to about fifty-thousand rupees. Considering the fact that the expenditure on establishments alone, including remuneration to agents and workers exceeds Rs. 50,000 (Rupees fifty thousand only) and allowing another Rs. 5,000 at least for contingencies such as, stationery and printing, advertisements, postage, travelling allowances &c., the total cost would come to at least fifty five thousand rupees per annum; and as the Live Stock Scheme is the only source of income, the question for consideration is whether it will be possible to earn sufficient income to meet this heavy expenditure and also to wipe off the heavy loss of over fifty thousand rupees referred to in para 239, unless it be at the expense of the shareholders. It is also seen from para 241, that Chidambaram is the only circle out of 14 or 15, that has been doing the average guaranteed business so far, and even Virudunagar that stands next has not come up to the mark, its total contribution being only 2,444 animals for the 12 months ending 31st March 28 against a guaranteed business of 10,000 animals for the year, while all the remaining 12 or 13 circles put together have contributed an average of only 100 animals each for the whole year.

248. It is also seen that out of the share capital exceeding seventy thousand rupees, Rs. 20,000 (Rupees twenty thousand) is all that is left in the current account with the banks, with which the company has opened accounts, while the other truly realisable assets are very little. It is therefore a matter for serious consideration whether the scheme will ever work at a profit and whether the shareholders, *i.e.*, other than those that have subscribed towards their qualification shares can expect any dividend at all in the near future.

249. A list showing the offences committed under the Regulation, as also a list of appendices to the report are attached.

250. My thanks are due to Mr. Gangaraju, Managing Director, but for whose help and ready co-operation, I could not have gone into this work, so minutely.

Sd. T. SUBBARAMIAH,
Retired Asst. Comptroller & Certified Auditor
& Govt. Inspect, the Mysore Agl. D. F. Co., Ltd. Bangalore

Bangalore
9th July 28

## Offences Committed under the Regulation.

| Section | Nature of offence | Reference to paras |
|---|---|---|
| 91 A | Omission by Mr. V. K. Lakshmana Mudaliar to disclose his interest in the Keragahalli Estate to co-directors ... | 14 (e) |
| 91 c | Omission to disclose to members the contract appointing Mr. Shankar Lall as Managing Director ... | 7 |
| 104 (b) | Shares allotted otherwise than for cash not reported to Registrar as such ... | 27 & 39 |
| 122 (1) | Default in filing with the Registrar particulars of mortgage of the registered sale deed of the Dharmapuri Estate to Kotumall Ramchand. | 218 (c) |
| 123 | Omission of entry in Company's Register of mortgages (No register maintained) ... | do |
| 182 | False statements in Balance Sheets ... | 110, 153 to 160 |

## APPENDICES


| | Particulars. | Reference to paras |
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| T. | List of agents and workers ... | 235 |

## APPENDIX A

Read Mr. V. K. L. Mudaliar's proposal dated 21—1—25, *re* the lease of the Kergahalli Indigo Estate. In the first place, he says, he was not a consenting party to the cancellation of the old lease. But when the cancellation resolution (i. e. resolution No. 2 of Meeting No.X) was passed, Mr.V. K L. Mudaliar remained neutral, he did not even oppose it; and subsequently resolution No. 17 of the said meeting has been passed unanimously to the effect "that the draft of the new lease should be submitted by Mr. V. K. L. Mudaliar." Hence, Mr. Mudaliar is deemed in law to have agreed to the cancellation of the said lease-deed, as well as by his subsequent conduct in proposing "amended" terms.

The terms now proposed by him are far from "legal and reasonable". The exact extent of land is not mentioned. The demand for the immediate payment of the advance set forth in the deed, without specifying how that advance is to be liquidated, speaks volumes against Mr. Mudaliar's fair-mindedness. All the lease-deeds in favour of several ryots have not been "deposited with the company", but only three lease deeds have been produced by Mr. Mudaliar before meeting X, that too, after I called upon him to do so. The other lease-deeds, (plus the above three, which cover an extent of nearly forty-four acres) are not forthcoming. And how can Mr. Mudaliar make a demand of the advances in these deeds, in the absence of legal transfer of the same in favour of the company? The terms and conditions for this transfer have also to be decided. Before we can decide upon the annual rent to be paid to the lessor, we must have an idea of at least the past few years' income; and conditions of the grant of the land to the lessor are also to be produced. Without all these, to give an off-hand figure, of from six hundred to rupees one thousand, on an annual increment of rupees one hundred only, is always dangerous.

As regards conversion of some ten acres of land into Bagayath and another ten into wet, the company cannot directly undertake the former and the latter is a physical impossibility. With regard to the former, the leases in favour of the ryots do mention, that certain portions should be converted into Bagayath by growing cocoanut palms; and if these leases are transferred to the company, the company can only undertake to enforce the conditions or in the alternative recover damages from the ryot; beyond this, the company cannot take the responsibility of direct conversion. As to wet conversion, where is the flowing sheet of water for which 'nalas" can be dug out to irrigate the land? Perhaps, Mr. Mudaliar thinks of the Norias Kapilai System, which at this juncture the company cannot embark on, unless the present well, with a huge outlay of a thousand rupees at least, is reconstructed. Assuming we do all these, what profit does it bring to the shareholders? At this point one has to pause. The result would only be profit to the individual at the expense of the shareholders. Then, is this wise policy? and does it speak well of the person who wants to profit himself at the sacrifice of the poor shareholders?

Further there are several other unreasonable clauses in the old lease-deed, such as clause four, six and seven which require either to be deleted or amended. Were we to ignore all the above and enter into a new lease, we would be openly lending support to the auditor's allegation that the contracts the company enters into are always favourable to the person who accepts.

The next question, the most important of all is granting all the above amendments or changes are made, can we (I mean the Directors) conclude the contract ignoring the opinion of the shareholders, as expressed in the last statutory meeting? Though the exact words of the majority of the shareholders, *viz.*, "that if at all the lease is to be entered it must be done so with the knowledge and consent of the general body," have not been recorded, still there is on record, "that the majority opine that the lease is inadvisable." Again though this expression of opinion by the shareholders is not in the form of a resolution, still it must legally be respected. But if this committee members were to enter into the lease, setting the sharedolders opinion at naught, it would be nothing short of a breach of trust.

For the foregoing reasons I am not at all in favour of entering into the lease and Mr. V. K. L. Mudaliar will have to wait for the decision of the question till the next annual general meeting, when the approval and consent of the general body shall have to be taken.

(Sd.) S. SUNDARA RAO,
7—2—25.

The agreement, as amended seems to be reasonable, when compared with the old one. But Mr. V. K. L. must guarantee that no loss will be incurred by entering into this agreement to the company, after investing the required amount as per previous directors' resolution. If he gives that guarantee, the lease may be entered into.

(Sd.) A. J. RAM,
23—2—25.

The lease proposed by Mr. V. K. L. is in the best interests of the company, and the same be accepted without any demur. Being in the company as a director, he has offered these terms and if a private man, he would have asserted his rights under the old lease-deed. The land is a good one; and some expenditure of money on the well will bring good profits to the company.

(Sd.) B. NARASIMHA IYENGAR, Chairman,
5—2—25.

The amendments proposed by Mr. V. K. L. Mudaliar seems reasonable. It is advantageous to the company when he promises to work out profitably when the company advances Rs. 5,000 as per resolution of the board of directors. Hence it may be accepted.

(Sd.) K. RAMANNA,
5—1—25.

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## APPENDIX B

S. SUNDARA RAO, B. A., LL. B.,
Advocate

MYSORE,
dated 24—2—1925.

C. KRISHNAMURTHI SASTRY,
Chairman, Organising Committee,
The Mysore Ag. D. F. Co., Ltd., Mysore.

Dear Sir,

Under a mistaken notion I had given my consent to the resolution of the said committee to the effect that Mr. V. K. Lakshmana Mudaliar be given a loan of rupees five thousand on the security of the seigniorage commission etc. Now, I realise that the security is vague and indefinite, depending as it does upon the business turned out by the several agents. Besides Mr. Mudaliar is already a debtor to the Co., to some extent for wiping off of which debt, the company shall have to set off the seigniorage commission earned, as well as, if need be, the monthly allowance. Under the circumstances, I hereby withdraw my consent to the above-said resolution, which has not as yet become an accomplished fact. Hence the withdrawal of my consent to the said resolution is valid and cannot in law be deemed to be too late and inoperative.

Yours faithfully,
(Sd.) S. SUNDARA RAO,
Member and Secy. to the Organising Committee,
The M. Ag. D. F. Co., Ltd., Mysore.

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## APPENDIX C

N. KRISHNASWAMY RAO,
s/o, Rai Bahadur Bakshi Narasappa,

MYSORE,
dated 24—2—1925.

C. KRISHNA MURTHI SASTRY, ESQ.,
Chairman, Organising Committee,
The Mysore Ag. D. F. Co., Ltd., Mysore.

Dear Sir,

I hereby tender my resignation of my membership in the said committee.

Further I withdraw my consent to the Resolution, that Mr. V. K. Lakshmana Mudaliar be advanced a loan of rupees five thousand on the security of seigniorage commission etc., as I lately came to know that security is not at all safe for an investment of rupees five thousand, in as much as security depends on future out-turn of business. I have hastened to withdraw my consent to the above said resolution before it is given effect to. Hence the resolution does not in the least bind me.

Your faithfully,
(Sd.) N. KRISHNASWAMY RAO.

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## APPENDIX D

### "Delegation of powers to Financial Committee."

1. The Committee shall have power to call for, through Managing Agents, information such as Accounts, Statistics, Documents etc., as they require.
2. To consider and sanction loans above rupees hundred to rupees five-hundred.
3. Sanction of all Bills of purchases exceeding Rs. 20.
4. Sanction of item of Expenditure, that are not of routine and of usual character.
5. To call for Statement of Accounts showing Income and Expenditure and cash on hand for the month through the Secretary of the Committee.
6. To consider the increase and retrenchment in the Establishment from time to time.
7. To make from time to time allotments of shares.
8. All such other powers which the Directors may from time to time think it expedient to delegate to the committee.

## Delegation of powers by the Board of Directors to Organising Committee.

1. This Committee shall duly exercise all such powers as the Board may in its Meeting delegate by Resolutions.

2. The following provisions contained in the Memorandum of Association, Viz:

Clause a, b, c, d, e, f, g, h, i, j, m, n, v, w, x and Sub-clause 18 of clause 118 of Articles of Association be delegated to this Committee for their dealings.

(b) Powers to standardize the agreements already entered into between Managing Agents and the Organising Officers *inter vivos* with terms, conditions and remunerations be given.

(e) Generally to inspect office works, accounts, correspondence registers and books, etc.

(f) To consider, approve or sanction any scheme or schemes that may be placed before the Committee, by any member or members of the Committee or Board.

(g) The Committee shall have power to frame, revise, alter, amend rules and regulations relating to each and every branch of Organisation.

(h) This Committee shall have power to estimate, calculate and devise means for the development of the existing schemes.

3. The Committee shall have power to call for through the Secretary, such information, accounts statistics and documents as they in their discretion deem it necessary to read and inspect for the due discharge of their functions.

4. In all matters connected with pure Organisation, the Committee shall have power to deal with retrospective effect, when necessary.

5. The Committee shall have power to bring to the Notice of the Board such defects in the previous acts and agreements as may be necessary to be amended, revised, modified, rectified or cancelled.

6. Any recommendations this Committee may deem fit to make to the Board or other Committees (Financial) shall be duly valued and respected.

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## APPENDIX E

## TEN SHARES LOT.

Ticket Number.

Shares Number from.....to.....

Fifty lots of 10 shares each carrying a prize of Rs. 250 each, one hundred lots of 5 shares carrying a prize of Rs. 100 each, will be distributed within five years as follows :—

| | | | |
|---|---|---|---|
| 1st Drawing | 1925 | 10 Prizes of Rs. 250 | 20 prizes of Rs. 100 |
| 2nd „ | 1926 | do | do |
| 3rd „ | 1927 | do | do |
| 4th „ | 1928 | do | o |
| 5th „ | 1929 | do | do |

Name.....

Address.....

For the Mysore Agricultural Dairy Farm Co., Ltd., Myosre,
V. K. Lakshmana Mudaliar & Co.,
Managing Agents.

### RULES.

1. The prizes will be paid in cash one month after the drawing.

2. In claiming a prize, the Drawn Ticket must be sent to the Office.

3. Only those shareholders who have paid the application and allotment money and calls on the due dates without late fee or interest shall be eligible for the prizes.

4. The Chairman of the Board of Directors will draw the prizes in the presence of the Directors and such of the shareholders who would be present on the drawing day.

5. Notice of the drawing date will be given to the shareholders.

6. The result of the Drawing will be intimated to all the prize ticket-holders within a week after the Drawing.

7. The winners in one drawing will not be eligible to any prizes in the subsequent drawings

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## APPENDIX E (1)

ಈ ಸುಸಮಯವನ್ನು ಬಿಡಬೇಡಿ ! ಬಿಟ್ಟರೆ ಸಿಕ್ಕುವುದಿಲ್ಲ

# ದಿ ಮೈಸೂರು ವ್ಯವಸಾಯದ ಡೈರಿ ಫಾರಂ ಕಂಪೆನಿ ಲಿಮಿಟೆಡ್,

# ಮೈಸೂರು.

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ಈ ಕಂಪೆನಿಯ ಡೈರೆಕ್ಟರುಗಳು ತಾ|| ೨೬-೬-೨೪ರ ಲಾಗಾಯ್ತು ತಾ|| ೧೫-೭-೨೪ರ ಒಳಗಾಗಿ ಈ ಕಂಪೆನಿಯಲ್ಲಿ ೫ ಷೇರುಗಳನ್ನು ಪಡೆಯುವ ೧೦೦ ಮೆಂಬರುಗಳಿಗೆ ಪ್ರತಿಯೊಬ್ಬರಿಗೂ ೧೦೦ ರೂ. ಬಹುಮಾನವೂ, ೧೦ ಷೇರು ಪಡೆಯುವ ೫೦ ಜನ ಮೆಂಬರುಗಳಿಗೆ ಪ್ರತಿ ಒಬ್ಬರಿಗೂ ೨೫೦ ರೂ. ಬಹುಮಾನವೂ, ಮೈಸೂರು ಮತ್ತು ಬೆಂಗಳೂರು ಡಿಪ್ಟ್ರಿಕ್ಟ್ ಚೀಫ್ ಏಜೆಂಟರುಗಳ ಕರಾರು ಗ್ಯಾರಂಟಿಪ್ರಕಾರ ೩೦,೦೦೦ ಜಾನುವಾರುಗಳ ಮೇಲೆ ದಾಮೋಷಾ ೩ ರೂ. ಗಳಂತೆ ವಸೂಲಾಗುವ ಚಂದಾ ೯೦,೦೦೦ ರೂ. ಗಳಲ್ಲಿಕೆ ಶೇಕಡ ೧೫ ರಂತೆ ರಿಜರ್ವ್ ಫಂಡಿಗಾಗಿ ಬರುವ ೧೩,೫೦೦ ರೂ. ಗಳಲ್ಲಿ ಪ್ರತಿವರ್ಷವೂ ೩೦ ಜನ ಮೆಂಬರುಗಳಿಗೆ ೪೫೦೦ ರೂ ಕೊಡಲು ಹಂಚುತ್ತಾರೆ.

ಈ ೫ ವರ್ಷಗಳಲ್ಲಿ ಮೇಲ್ಕಂಡ ಈ ೧೫೦ ಜನ ಮೆಂಬರುಗಳಿಗೆ ಮಾತ್ರ ಮೇಲ್ಕಂಡ ಬಹುಮಾನವು ಗ್ಯಾರಂಟಿಯಾಗಿ ಸಿಕ್ಕುತ್ತೆ.

ಇಂಥಾ ಉತ್ತಮವಾದ ಸಮಯವನ್ನು ಕಳೆದುಕೊಳ್ಳದೆ ಫಲವನ್ನು ಹೊಂದಿರಿ.

ಷೇರು ದರಖಾಸ್ತು ಫಾರಂ ವಗೈರೆಗಳಿಗೆ ಈ ಕೆಳಗಿನ ವಿಳಾಸಕ್ಕೆ ಬರೆದುಕೊಳ್ಳಬಹುದು.

ಮ್ಯಾನೇಜಿಂಗ್ ಏಜಂಟ್ಸ್,

898, ರೈಲ್ವೆಸ್ಟೇಷನ್ ರೋಡು, ಮೈಸೂರು.

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## APPENDIX E (2)

V. K. LAKSHMANA MUDALIAR, Esq., MYSORE.

Dated 12—7—1924.

My dear Mr. Mudaliar,

I came here yesterday morning. I have appointed Mr. Venkatagiriyappa as Chief Agent for Hassan District and Mr. H. L. Narayana Iyengar for Kadur District.

The 50 shares amount of Rs. 100 for each will be sent on 14th latest by T. M. O. It is on the inducement of prizes they have taken ; good work will be turned out by Mr. Venkatagiriappa. Yesterday he sent for 50 Shanbhogs and every one is willing to work as agent. Please see that these gentlemen Mr. Venkatagiriappa, Mr. Narayana Iyengar, Mr. Venkatasubbayya and Channappa, Inspector, will get a prize. I received your M. O. Rs. 20; my work here is complete.

I leave this for Shimoga this noon at 2 P. M. train.

In all the districts the public want Kannada application forms Please send the same to all chief agents and please do not delay in sending official orders to them. Within next 10 days I will complete the whole province. Please print more (ಪ್ರಕಟನೆ) and live stock rules at least 10,000? The rush begins from the 1st of next month. As this is the end of the year and moreover (Sunyamasa) rather hard for funds. I have sent also the share application filled up of the Assistant Surgeon here. I have received Rs. 10 for 10 shares, the balance Rs. 10 the gentlemen will send before 15th. This must also include in the prize list. I have given a receipt.

As soon as you receive the amount, please send receipts, official orders to do more work to the respective persons and oblige.

More in my next.

Yours faithfully,

(Sd.) K. RAMANNA.

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## APPENDIX F

In reply to Mr. V. K. L. Mudaliar's letter addressed to the Chairman and the Directors, I have to state that his said letter betrays hopeless misunderstanding of the accounts. There have been no double entry anywhere ; in the first place, he admits that he owes Rs. 216-8-0 (Two hundred and sixteen Rupees and annas eight only) and as regard the balance, I will set forth item by item.

*Re*: Rs. 88-12-0 which he says he has returned; there is neither a "Karch" of Rs. 125-0-0 nor a "Jama" of Rs. 88-0-0 against his name in the Pucka Account books, and as to the voucher relating thereto, I solemnly declare that Mr. Mudaliar took it out from his pocket on the day I took a consolidated receipt from him, and plainly told him that even in Mr. Ramanna's Katcha book, the entries were not to be found. However, I told him if what he told were to turn-out true, the same will be given deduction to. In this connection, I would invite the attention of the Directors to the Katcha book maintained by Mr. Ramanna. There is no reason why this entry of Jama and Karch only should be omitted in the Pucka book, when all the other entries are transferred. I have grave suspicion that considering the position and remarks written on these entries they have been subsequently brought in by Mr. Ramanna in collusion with Mr. Mudaliar who about a fortnight ago took back his Katcha for "reference and return". Further there is nobody's sanction for this amount of Rs. 125. The remarks, as against entry on 18—9—24, viz., received Rs. 100. N. S. Srinivasa Rao, also I doubt ; because if that remark really existed, the same would no doubt have been incorporated in Pucka books. Be that as it may ; granting that Mr. Mudaliar did return Rs. 88, for the balance of Rs. 37 (Thirty seven) he has yet to furnish accounts ; and this Rs. 88 may be given deduction. But as regards Rupees seventy and annas four (Rs. 70-4-0) no stationery has been supplied to the Office as said by Mr. Mudaliar. Mr. V. K. L. Mudaliar, without any body's sanction took with him Rs. 103 (One hundred and three) and as is seen from voucher No. 148 (i. e. Modi Abdul Gafoor) he has paid him Rs. 100 and while at Bangalore Mr. Mudaliar received Rs. 100 from Mr. K. V. Gundu Rao and has paid Rs. 29-12-0, as per voucher No. 135, (Taraji Hirachand) the balance is Rs. 70-4-0 which Mr. Mudaliar must account for. *Re*: Rs. 597 (Promoter's money), though Mr. Mudaliar in a way admits indebtedness, he says the shareholders have sanctioned it ; this is far from the real truth, the shareholders have said that Mr. Mudaliar must be paid Rs. 500 only when the Company declares 6 o/o dividend. But this does not mean that Mr. Mudaliar is not to repay it now On the contrary he must repay this amount to the Company immediately and can claim his dues only when it falls due.

*Re*: Charges paid for getting the deficit stamp etc., certified on his lease deed, though actually Mr. B. N. Iyengar has taken it, it must legally go to Mr. Mudaliar's personal account as the money has been paid on his account. The repairing charges undoubtedly Mr. Mudaliar must return the company. *Re*: amount paid to Messrs. Ramanna, T. N. L. Chetty and H. N. Rao under preliminary expenses head, though the auditor has taken to Mr. Mudaliar's personal account, the Directors may again transfer to the respective persons' personal accounts and devise some means of recovery.

I quite admit Mr. Mudaliar's statement that he has nothing to do with accounts ; but he had every thing to do with cash during May, June and July 1924, when it was he who was receiving all kinds of money and make payments without my knowledge and consent and whatever vouchers he used to give, the clerk used to write in Katcha books and I used to check them, least doubting, Mr. Mudaliar's honesty. And I as the person responsible for the financial matters have done my duty in finding out wherein lies the difference and after convincing Mr. Mudaliar have taken the voucher. Properly speaking it is not now open to Mr. Mudaliar to say that I have misrepresented and taken a receipt. A man of such worldly experience as Mr. Mudaliar knew quite well what he was doing at the moment he gave me the receipt. Even a fool does not give a voucher merely one demands it. Making all possible liberal allowances. Mr. Mudaliar must admit that he has to some extent utilised Company's funds, on his own account.

Mr. Mudaliar's allegations that somehow the accounts were written within a month and the auditor and office Managing Agents were struggling hard to making up the deficit are not at all tenable if any one were to peruse the two Katcha and one Pucka books. Because Mr. Mudaliar is caught now he has come forward with all sorts of pleas, good, bad and indifferent. Truth no doubt must in the long run prevail.

Further the Directors shall have to note that they have also to recover from Mr. Mudaliar money paid by the Company for agricultural implements etc., and cost of tiles which, without anybody's sanction, Mr. Mudaliar has taken for his Keragahalli shed.

(Sd.) S. S. Row,

dated 2—3—25.

To

THE CHAIRMAN,

Financial Committee,

The M. Ag. D. F. Co., Ltd., Mysore.

Dear Sir,

When I sent my allowance bill to office Managing Agent for payment, Mr S. S. Rao writes to me in reply stating that I am due to the company a big sum. If Mr. S. S. Rao means Rs. 1,300, as mentioned in the statutory report, I beg to say that an explanation for Rs. 1,300 may kindly be given by him.

Properly speaking I am not due to the company anything. This Rs. 1,300 was given by me as receipt for preliminary expenses, incurred. Simply because Mr S. S. Rao said that there are no receipt of the 2,000 Rs. sanctioned by the Directors for preliminary expenses. As all the Directors know fully well that I and Mr. K. Ramanna placed all the vouchers corresponding to the preliminary expenditure in the Directors' meeting and the said amount was sanctioned by all Directors, I am at a loss to know now what became of the receipts which I placed in the meeting ?

(2) Who is responsible for this ?

(3) If this objection had been brought then and there, my name would not have been brought to the public so far.

(4) Further I would like to understand what items of expenditure I should give receipt in the preliminary expenditure. What has that preliminary expenses to do with my allowance, even granting what Mr. S. S. Rao has written that I am not entitled to draw this my allowance.

This question of allowance must be decided by the financial committee ; therefore, I hereby request the financial committee to do the needful to draw my allowance regularly and decide the 1,300 Rs. advance, as shown in the statutory report.

Yours faithfully,

31—1—25 (Sd.) V. K. LAKSHMANA MUDALIAR.

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Read Mr. V. K. L. Mudaliar's letter dated 31—1—25, addressed to the Chairman, Financial Committee, calling from me an explanation of Rs. 1,300 and odd standing in Mr. Mudaliar's account.

What all Mr. Mudaliar has stated in his letter is far from truth. By a perusal (6) of the accompanying memo of accounts one will see how Mr. Mudaliar is a debtor to the company and his statement that " properly speaking he is not due to the company anything" is untenable. After searching calculations, the figure was arrived at, that too in the presence of Mr. K. Ramanna, Krishnaswamy Naidu and Mr. V. K. L. Mudaliar. The auditor also explained the position to Mr. V. K. L. Mudaliar. I never said I had no vouchers for Rs 2,000 sanctioned on preliminary expenses account, but I told him that the sum debited to his personal account includes amounts disallowed under the preliminary expenses, which he had already drawn and paid, as well as amounts for which he had not as yet furnished accounts. No doubt this is quite evident from the annexed memo. Mr. V. K. L. Mudaliar no doubt had placed serveral vouchers at the meeting wherein preliminary expenses were sanctioned, when everybody took him on trust. Subsequently they were all taken back by him along with the bill for furnishing it more correctly. Afterwards the few vouchers which he submitted are to be found in the voucher file, but some of them again require to be submitted by the party's voucher, as they are only "Mogum" vouchers given by Mr. Mudaliar who has himself drawn the amount in fifties and hundreds. His plea that he placed all vouchers and if some are missing, his insinuation that some one else is responsible does not in the least hold water in the teeth of the above facts, as well as my repeated demands for vouchers so long back as about August 1924.

Mr. Mudaliar was first-of all convinced of the figures and then the voucher was taken ; and if one were to peruse the annexed memo of accounts, one will see that no magic or slight of hand tricks has been played on this person of good wordly experience, who knew quite well what he was doing at that moment. On the contrary that he owes a huge sum is quite patent, despite the allowance we may have to make for several items. If need be, for the satisfaction of one and all concerned, the auditor may be called upon to explain the position and set matters right in the interest of the concern.

Hence the directors would do well to take a bond from Mr. Mudaliar for the sum due along with a surety and devise some means of recovering as by partial set offs of the monthly allowance and seigniorage commission.

(Sd.) S. SUNDARA RAO,

4—2—25.

From

V. K. LAKSHMANA MUDALIAR,

Proprietor, Keragalli Indigo Estate,

To

THE MANAGING AGENTS,

The Mysore Agricultural D. F. Co., Ltd., Mysore.

Sir,

With reference to your letter No, 1458 dated 14—12—24, I wish to inform you, that as is opined, in the resolution No. X dated 7—12—24 (for which I was not a consenting party) that a new lease be entered in the most legal and reasonable manner, it is very fair and just, in my humble opinion, that a draft be prepared with such most legal and reasonable modifications by the Legal Advisor of the Company or by the Office Managing Agent, who fortunately happens to be a member of the bar.

Since the burden is thrown on me, I wish to say regarding the alleged defects as follows:—

The extent of land-My data is the Patta given to me by the Revenue authorities on payment of kandayam made by me and the Government proceedings:—

The boundaries of the plots numbered by the Government are bounded, as follows:—

N., S., E. and W. as per list herein enclosed.

The other two plots (not numbered) are bounded also as per above,

The whole plot is in my possession and enjoyment.

**Regarding the Agreement:—**

I do not agree for its cancellation. But in the interests of all concerned the following amendments in the conditions are suggested, to be effected provided that the balance of the lease advance rent amount due to me by the company is paid at once and the advances made by me to the ryots as per deeds deposited with the company within a year from the date of agreement, as the funds of the company permit.

**The Amendments, are:—**

(a) The lease rent amount to be paid to me be fixed at six hundred rupees (Rs. 600), for the first year with an annual increment of Rs. 100 till it reaches the maximum of Rs. 1000.

(b) That an extent of 10 acres be converted into Bagayat and another 10 acres into wet lands within 5 years from the date of the agreement in place of 40 acres. The other conditions of lease remains as they are, as per original lease deed executed.

(Sd.) V. K. LAKSHMANA MUDALIAR,

Proprietor,

Keragalli Indigo Estate, Mysore.

21—1—25.

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THE CHAIRMAN,

Board of Directors.

Sir,

On the explanation of Mr. S. S. Rao, Office Managing agent, sent to me with memo of accounts, I beg to reply as follows:—

First I discuss in accounts,

From the money debited to preliminary expenses and the money thrown upon me as personal account, I only invite the attention of the Chairman and the Board of Directors.

I had spent Rs. 2400 towards preliminary expenses and submitted bill and placed it before the meeting with vouchers. The Board returned it, cut it down to Rs. 2000 and passed the preliminary expenses as reduced by the three managing agents, in which were Legal fees and other charges pending payment; such excess were also being disallowed. Hence the preliminary expenses of the company legitimately confined itself to Rs. 2000 and fixed up to Rs. 2000 only.

From the statements of a/cs attached hereto, it may be observed that several items are doubly debited twice both to the a/c of preliminary a/c and as well as Mr. V. K. L.'s personal advance. Some of these items are repeated in the debit of the personal a/c of V. K. L., and different headings under stationery, paper, rent, legal charges. Again some items of money duly refunded to

the company, by Mr. V. K. L. are not taken under the credit account, debit only retained.

By scrutiny and comparison of different statements of A & B of statement No. 2 may clearly show about Rs. 1000 and odd are unjustly debited against my personal a/c and a consolidated voucher was taken in a hurry by misrepresentation, just before the statutory a/c were being concluded.

Statement No. 3 will clearly show the correct adjustment of Rs. 2000 sanctioned towards preliminary expenses; and actual amount of about Rs. 247 only for which I shall have to be personally liable.

On no account personal liability will never exceed Rs. 247 out of which Rs. 20-0-0 paid by me to Harrison Press for printing Memorandum, Articles—correction etc., are not entered in the accounts. Deducting which, my liability comes to only Rs. 227—0—0.

Here I specially beg to bring to the notice of Directors that the Office Managing agent Mr. S. S. Rao, has not, I see, written cash-book from day-to-day showing clearly daily credits, debits and closing balance though he had availed himself of a heavy paid establishment under his own control and directions and though these defects were noticed by the Directors, especially by Mr. C. K. S., in meetings and otherwise and though Mr. C. K. S. has repeatedly written these and other defects to be immediately attended to; again the cash-books, many a time, were got written by the auditor with his help and co-operation, in about a month prior to his report for statutory meeting.

It has come to mine and perhaps knowledge of some others concerned in the administration of the company, that the auditor, office managing agent and his accountants struggling how to secure satisfactory receipts and expenditure, while thousands of rupees accounted to be in deficit, according to the a/cs, as maintained by the office managing agent with the help of all the clerks.

The Directors can fairly imagine how the errors, omissions and mistakes attempted to square up at the cost of myself, who had had no handling in cash and accounts.

## STATEMENT NO. 4.

Items of double debit :—

| Name | Account | | Heading | | Personal |
|---|---|---|---|---|---|
| Chetty | 140 0 0 | Preliminary | 140 0 0 | | 140 0 0 |
| Mr. K. R. | 75 0 0 | | 75 0 0 | | 75 0 0 |
| Mr. H. N. R. | 20 0 0 | | 20 0 0 | | 20 0 0 |
| Mr. V. K. L. | 597 0 0 | | 571 12 0 | | 597 0 0 |
| Abdul Gaffoor | 70 4 0 | Stationery. | 70 0 0 | | 70 4 0 |
| Mr. S. S. R. | 88 10 0 | | | | 88 10 0 |
| Krishnaswamy Chetty | 0 13 5 | | | | 0 13 5 |
| Mr. B. N. | 40 0 0 | Legal. | 40 0 0 | | 40 0 0 |
| Mr. Linganna | 25 0 0 | House rent | 25 0 0 | | 25 0 0 |
| | 1056 11 5 | | | | 1056 11 5 |

This shows how Rs. 1056.11-5 deficit made up.

## STATEMENT NO. 5.

In the preliminary list as found in the Statutory Report,—

A sum of Rs. 20-0-0 paid to Harrison Press for printing memorandum, corrections etc., have left to include in preliminary expenses.

## STATEMENT 3

| | Rs. | A. | P. |
|---|---|---|---|
| For my bill of Prel. expenses in detail as described. In Mr. S. S. R. Statement ... ... | 783 | 8 | 0 |
| Harrison printing charges left inclusion by Mr. S. S. Rao mentioned by me in prel. account ... ... | 20 | 0 | 0 |
| Total Rs. ... | 803 | 8 | 0 |

| | Rs. | A. | P. |
|---|---|---|---|
| Amount collected by me on shares from signatories:— | 1,000 | 0 | 0 |
| Allowed for prel. expenses | 803 | 8 | 0 |
| Overdrawn | 196 | 8 | 0 |

Preliminary includes printing, registration, stationery, typing and other miscellaneous charges, exclusive of legal charges, amounting to Rs. 280 details, Rs. 210 0-0 plus 50-0-0 C. K. S. plus 20-0-0 H. N. R.

| | Rs. | A. | P. |
|---|---|---|---|
| Ch. Printing charges ... | 15 | 0 | 0 |
| Printing paper ... | 89 | 8 | 0 |
| Total Rs. | 104 | 8 | 0 |

| | Rs. | A. | P. |
|---|---|---|---|
| Therefore the preliminary expenses allowed | 803 | 8 | 0 |
| L. charges ... | 280 | 0 | 0 |
| Paper and printing ... | 104 | 8 | 0 |
| Rs. ... | 1,188 | 0 | 0 |

The following items were sanctioned to Prel. Head by the Board.

| Rs. | A. | P. | |
|---|---|---|---|
| 75 | 0 | 0 | to Mr. K. R. |
| 140 | 0 | 0 | to Chetty. |
| 597 | 0 | 0 | V. K. L. |
| Total Rs. 812 | 0 | 0 | |

Plus Rs. 1,188 preli. allowed. This comes up to Rs. 2,000 sanctioned by the Board.

## APPENDIX G

### List of items debited in the Rough cash book but omitted in the fair between 31—8—25 and 30—10—25.

| Date | Particulars | Amount. Rs. | A. | P. |
|---|---|---|---|---|
| 31— 8—25 | Paid Mr. V. K. L. ... ... ... | 15 | 0 | 0 |
| Do | (No details) ... ... ... | 36 | 0 | 0 |
| Do | Evening exp. ... ... ... | 0 | 13 | 0 |
| 2— 9—25 | Paid Managing Agents to pay Mr. C. S. Srikantiah ... | 5 | 8 | 0 |
| | (Srikantiah's voucher for payment not forthcoming) | | | |
| Do | Coffee powder ... ... ... | 0 | 6 | 0 |
| 3— 9—25 | Paid S. N. Varadaraj (Tiffin) ... ... ... | 0 | 12 | 6 |
| Do | Paid Mr. K Ramanna ... ... ... | 0 | 4 | 0 |
| 8— 9—25 | do ... ... ... | 0 | 4 | 0 |
| 9— 9—25 | do ... ... ... | 0 | 2 | 0 |
| Do | Paid Mr. C Krishnamoorthy Sastry to be returned as soon as he draws his pension ... ... ... | 1 | 0 | 0 |
| Do | Paid Mr. K. R. ... ... ... | 0 | 0 | 3 |
| Do | Paid Linganna for Coffee ... ... ... | 0 | 6 | 0 |
| 10— 9—25 | Paid Mr. K. R ... ... ... | 0 | 0 | 6 |
| 11— 9—25 | do (for honey) ... ... ... | 0 | 4 | 0 |
| 13— 9—25 | Paid Mr. V. K. L. for Coffee and Sugar ... ... | 0 | 7 | 0 |
| 15— 9—25 | ,, Mr. K. Ramanna ... ... ... | 0 | 4 | 0 |
| 17— 9—25 | ,, Mr. V. K. L. for cane ... ... ... | 0 | 4 | 0 |
| Do. | ,, Mr. R. K. Naidu ... ... ... | 1 | 0 | 0 |
| 19— 9—25 | ,, Mr. K. R. ... ... ... | 0 | 10 | 0 |
| 22— 2—25 | ,, Mr. V. K. L. for cream (34-0-0+52-0-0) ... ... | 86 | 0 | 0 |
| 23— 9—25 | ,, do (Mr. Wadia's cheque) ... ... | 17 | 10 | 0 |
| 22— 9—25 | ,, K. Ramanna ... ... ... | 0 | 8 | 0 |
| 24— 9—25 | ,, do ... ... ... | 2 | 8 | 0 |
| 14—10—25 | Paid Chief Agent ... ... ... | 0 | 8 | 0 |
| 15—10—25 | do ... ... ... | 0 | 8 | 0 |
| 22—10—25 | Paid Mr. K. R. for Jutka charge ... ... | 0 | 6 | 0 |
| 30—10—25 | Paid Mr. Arunachalliah ... ... ... | 2 | 4 | 0 |
| | Total ... | 173 | 9 | 3 |

| | Rs. | A. | P. | |
|---|---|---|---|---|
| Rs. 1715 2 0 Item | 89 | 8 | 0 | All debited to certain headings of expenditure, full details and expenditure are not given. All these items are debited on 20—12—24. Details should be called for. |
| | 46 | 12 | 0 | |
| | 418 | 6 | 0 | |
| | 68 | 4 | 0 | |
| | 24 | 0 | 0 | |

So far as I know, 418-6-0 dated 20—12—24 debit for advertisement charges, include Rs. 325-0-0 given to Mr. T. Sarvanam, chief agent, Madras Presidency, as advance under certain

conditions. Unless details are furnished for the other above items, I am unable to say anything. The account Books does not bear a single attestation signature of the off; Managing Agent, who is the chief responsible officer for office and financial matters and accounts. According to his own letter No. dated and memo of 12—10—24 of Managing agents.

In conclusion I beg to submit that I seriously doubt the corrections of cash accounts and as such it requires to be urgently re-audited and placed before an extraordinary general meeting of the share-holders for their consideration, within one month from this date; otherwise this statutory account becomes confirmed under page 21 clause 152 of the articles of association of the company.

Explanation submitted by Mr. S. S. R. in reply to my letter dated 31—12—25 is nothing but beating about the bush.

Accounts :—

Recorded by the off; Managing Agent in cash accounts.

## Abstract of Accounts

Statement of preliminary expenses, as recorded by the office Managing Agent in cash accounts -Ledgers of the Company.

## Statement No. 2

## (A)

Preliminary expenses—Rs. 1,715-2-0.

| | Rs. | A. | P. | |
|---|---|---|---|---|
| 1. | 50 | 0 | 0 | Cash to V. K. L. 30—6—24 |
| 2. | 175 | 0 | 0 | do 16—7—24 |
| 3. | 100 | 0 | 0 | do 7—8—24 |
| 4. | 199 | 0 | 0 | 15 Ch. Press.<br>140 Chetty.<br>44 Cash V. K L. 16—8—24 |
| 5. | 202 | 0 | 0 | 160 S. S. R.<br>42 Cash to V. K. L. 19—8—24<br>C. K. S. 10— 9—24<br>K. R. 18— 9—24<br>C. K. S. 18—12—24<br>Stationery 20—12—24 |
| 6. | 25 | 0 | 0 | |
| 7. | 75 | 0 | 0 | |
| 8. | 25 | 0 | 0 | |
| 9. | 89 | 8 | 0 | |
| 10. | 46 | 12 | 0 | Do Do |
| 11. | 418 | 6 | 0 | Do Do |
| 12. | 68 | 4 | 0 | Do Do |
| 13. | 24 | 0 | 0 | Printing Do |
| 14. | 20 | 0 | 0 | H. N. R. 12—10—24 |
| 15. | 169 | 12 | 0 | Cash to V. K L. 12—10—24 |
| 16. | 36 | 8 | 0 | Lease registration Do |
| Total Rs. ... | 1,715 | 2 | 0 | |

## (B)

V. K. L. personal—Rs. 1,300-5-5 (called advance).—

| | Rs. | A. | P. | |
|---|---|---|---|---|
| 1. | 216 | 8 | 0 | Overdrawn. |
| 2. | 20 | 0 | 0 | (item 19) Double entry. |
| 3. | 140 | 0 | 0 | (item 4) Do |
| 4. | 75 | 0 | 0 | (item 7) Do |
| 5. | 597 | 0 | 0 | (Neither given, nor drawn, includes 571-12-0 received in cash as above, in preliminary expenses heading.) |
| 6. | 70 | 4 | 0 | [Stationery supplied including (T. A. expenses) bought of Abdul Gafoor and Tarachand.] |
| 7. | 88 | 12 | 0 | (Paid, not credited. Vide voucher given for 125 and the balance met for T. A. in appointing Inspector at Nagavar; settling the question of Dairy Inspector and canvassing some business. Refund recorded in the receipt.) |
| 8. | 0 | 13 | 5 | (Cash was with Krishnaswamy and Chetty. I had no concern.) |
| 9. | 40 | 0 | 0 | (Paid to legal advisor by office. Nothing to do with that.) |
| 10. | 25 | 0 | 0 | (Includes in advance given for house rent to H. G. L.; there are vouchers for it.) |
| 11 | 30 | 0 | 0 | (Harvesting advance charges.) |
| Total ... Rs. | 1,303 | 5 | 5 | |

## APPENDIX II.

List of items for which receipts have been issued but not brought to the Cash Book

| Serial No. | No. and date of Rect. No. | Date | From whom received | Particulars | By whom received | Amount | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| 1 | K. R. | 1—26—5—24 | L. S. Srikanta Row ... | Advance for appointment of Sub-agency | Mr. V. K. L. Mudr. | 4 | 0 | 0 | The amount is credited in the rough cash book but omitted in the fair. |
| 2 | ... | 8—8—24 | Nagamangala Narasimmiah, Retd. Bench Clerk, City Magistrate's Court, Mysore. | Application amount for 25 shares for Inspector's appointment, Malavalli Taluk | do | 50 | 0 | 0 | Two sums of Rs. 50 each were received on this date by Mr. R. K. Naidu as per katcha receipts dated 8—8—24 and made over to Mr. V. K. L. the same day. One of them only has been brought to the cash book (rough and fair) while the other item has been left out of account altogether |
| 3 | K. R. 6 | 21—10—24 | V. Srinivasiengar, Inspector, Seringapatam. | Towards share and Live Stock | Mr. K. Ramanna... | 29 | 4 | 0 | Against Rs. 29-4-0 there is a credit of Rs. 4-8-0, on receipt No. 525 as received from Sreenivasiengar and nothing more |
| 4 | K. R. 1 | 5—1—25 | H. Venkataramiah N. pura ... | Application fee for 3 shares | Mr. K. Ramanna through N. Bishtiah | 6 | 0 | 0 | As per report of Sub agent Bishtappa Rs. 35 was sent by insured post and acknowledged by Mr. Ramanna vide para 131 of the Report. |
| 5 | K. R. 3 | 5—1—25 | Sahukar Rayappa N. pura ... | For 3 fully paid up shares... | do | 30 | 0 | 0 | |
| 6 | K. R. 2 | 5—2—26 | Hassan Abba Sait, Mysore ... | In full settlement of Dairy dues to end of Decr. 25 | Arunachalliah ... | 5 | 7 | 0 | Rs. 6-0-2 including Rs. 5-7-0 is still outstanding against the party |
| 7 | K. R 10 | 3—4—26 | Haji Dada Abba Sait, Merchant. | In settlement of Dairy dues for March 26 | Mr. V. K. L. Mudr. | 0 | 0 | 2 | Out of Rs. 27-5-8 collected as per receipt, Rs. 27-5-6 only has been credited to the cash books (rough and fair) on 1—4—26 or two pies short |
| 8 | K. R. | 3—4—26 | Abba Sait, Dodpet, Mysore ... | Advance for supply of Milk | do | 10 | 0 | 0 | ..... |
| 9 | K. R. | 5—5—26 | Y. N. Krishna Moorthy No 628, Lakshmipuram Extension. | Advance for one seer of Milk daily. | do | 3 | 0 | 0 | ..... |
| | | | | | Total ... | 137 | 11 | 2 | |

## APPENDIX J

Ref. 1100/24—3—27.

To

The Managing Director,
The M. Ag. D. F. Co. Ltd., Mysore.

24—3—27.

Dear Sir,

With reference to your letter No. 1079 dated 23rd March 1927, I wish to explain that in respect of Mr. Y. N. Bishtapa Sub-agent, Narasimharajapura, I remember that I received an insured letter on one morning when I had just returned from Bangalore on company's business. Mr. S. Sundara Rao was looking after my duties in my absence, on that particular morning of my receipt of the insured letter, I signed the insured letter asking the head clerk to take the same into accounts and went away on Co.'s business. I have given to Mr. Sundara Rao, the ex-office managing agent, the katcha accounts. Unless I see the said katcha accounts, I shall not be able to answer you. Please therefore furnish me the said katcha accounts, if you have got or from Mr. S. Sundara Rao.

Yours faithfully,
Sd. K. RAMANNA.

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No. 1083/3.

Forwarded to Mr. S. Sundara Rao, B.A., L.L.B., for remarks.

Full details may kindly be furnished about the katcha accounts referred to by Mr. Ramanna, as the amount of Rs. 35 sent by Mr. Bishtappa by Insured post on 9—1—1925 was not taken to the cash book. The file may be returned with your reply by tomorrow, as the matter is very urgent.

Sd. S. GANGARAJU,
Managing Director. 24/3.

1106/25—3—27.

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Mysore,
24—3—1927

Regret I am not in possession of any katcha accounts and as regards the insurance I remember an explanation has been called for from Mr. Ramanna.

Sd. S. SUNDARA RAO,
24—3—27.

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## APPENDIX K

Copy of letter No. 523/2 of 1927 dated 19th December 27 from the Registrar of Co-operative societies, Bombay Presidency — Poona — to the Managing Director.

Subject — Your deposit of Rs. 940 with the Hiremannur C. C. society — District Dharwar.

In continuation of my letter No. 523/2 dated the 24th November 27, on the above subject, I have the honor to inform you that I understand from enquiry that the sum of Rs 450 and Rs. 490 kept in current accounts with the Hiremannur C C. Society to the credit of your firm on 22—9—25 by your sub agents, Messrs Dasacharya and Guracharya were mere book adjustments made by the Secretary of the Society with whom they are found to have been in league, without the knowledge of the Committee Members. Further these deposits are shown to have been withdrawn by the depositors on 1—10—26. It will thus be clear to you that the whole transaction was a bogus one and that there was actually no deposit with the Society to the account of your firm. Strict measures have been taken against the Secretary of the Society and Mr Dasacharaya (who is also the Secretary of the Ron Agri. C. C. Society) whose services have already been dispensed with for their dishonest conduct. I may add for your information that it is further ascertained that the two so called depositors resorted to this illegal course in order to make you believe that they had actually kept the amount to your credit and thus make themselves shareholders eligible for loans.

2 In these circumstances you cannot have any claim against the Society in respect of the socalled deposit of Rs. 940.

Sd,

## APPENDIX L

IN THE COURT OF THE CITY MAGISTRATE, MYSORE.

Dated this 28th day of November 1927.

Present :—B. NARAYANASAMI IYENGAR, Esq., B.A., B L.,
*City Magistrate.*

C. C. No. 578 of 1926—27.

Complainant S. Gangara — *v.* — Accused. K. Ramanna.

Offence under section 409 I. P. C.

ORDER.

The complaint was presented against the above accused on 15—6—27 for an offence under section 409 I. P. C, Complainant P. W. 1 Gangaraju and P. W. 2. Sundara Rao are the only two witnesses examined for the prosecution. The prosecution case according to them is noted below·

2. Mr. Sundara Rao, Advocate was the partner of the Firm of Managing Agents to the Mysore Agricultural Dairy Farm Co., Ltd., Mysore. The Co. was started in may 1924. The firm of managing agents was styled Messrs V. K. Lakshmana Mudaliar & Co., It consisted of 3 partners Messrs. Sundara Rao, (P. W. 2) Ramanna (Accused) and V. K Lakshmana Mudaliar, under an agreement E. X. P. I. dated 27—7—24. P· W. 2 was the office Managing Agent. Accused was the Dairy Managing Agent and Mr V. K. L. Mudaliar was the Organising Managing Agent This agreement Ex. P. I. has been off and on modified by the Resolutions of the Board of Directors and in one or two resolutions of the general body in the Statutory general meeting. The accused was responsible for the cash and accounts of the Dairy Branch He tendered his resignation, Ex. P. 3., on 18—11—25 and this was accepted on 19—11—25 but he continued, as Director.

3. After this resignation, P. W. 2 and Mr. V. K. L. Mudaliar looked after the running condition of the Dairy Branch till March 1926. Accused did not formally hand over charge, though in a letter to the firm he undertook to hand over charge on 1—12—25. Till June 26, the cash book or any other book did not com to the hands of P. W. 2. The accused had maintained a cash book Ex. P. 2. The cash balance of the Company in the Dairy Branch on 31—10—25 is Rs. 641-12-11. The certificate and signature in regard to this balance is in the handwriting of the accused Ex. P. 2a. This cash balance was not handed over by the accused either to P. W. 2 or to Mr. V. K. L. Mudaliar. P. W 2 brought this to the notice of the chairman very many times and also asked the accused to hand over charge.

4. P. W. 1 Complainant became connected with the Company only on 22-11—26. He had no sort of connection with the Company or its concerns before that date. He was appointed as Managing Director from that date. In the course of his examination of the books ne found this balance of Rs. 641-12-11, as due from the accused. On 5—12—26 there was a meeting of the Board of Directors and P. W. 1. brought a proposition in regard to this balance before the Board Ex. P. 4, and a resolution was passed by the Directors. Ex P. 5 calling for the accused's explanation. On 6—12...26, P. W. 1 wrote to the accused for his explanation, Ex. P 6. He got a reply Ex. P 7 dated 7—12—26 ;rom the accused on certain items. On 8—1—27 P. W. 1 asked the accused for detailed information for the full amount. Ex. P. 8 for which he got a reply Ex P. 9 on 12—1—27 offering information on the several items.

5. In February 27 at a meeting of the sub-committee of Directors, a resolution was passed to the effect that this balance should be debited to the firm. In spite of this P. W. 1 has deposed that he lodgod this present complaint, not in pursuance of any resolution of a meeting of the Directors in committee or sub-committee, for there was no such Resolution, but of his own accord and in the discharge of his duties as Managing Director in the concern. P. W. 2 has deposed that the question of preferring a complaint w s before the Board and the Board considered that the case was one of civil liability, as the accused had tendered his explanation, stating that some item required investigation. Further P. W 2 has deposed that he is the author of the Articles of Asscciation relating to this Company and states that P W. 1 has no authority to lodge a complaint of this sort, without the previous sanction of the Board and that during the period he remained on the Board, he is sure that the Board has not sanctioned this present complaint. On 15—6—27 there was an extraordinary General Meeting of the share holders in which the Board was dissolved and the managing agents' agreement was cancelled and a fresh Board was elected in which P. W. 2, accused and Mr. V. K L. Mudaliar had no place; P W 1 was merely ex-officio Director and he continued under the new Board, in accordance with his contract. He has not yet executed a fresh agreement with the new Board. P. W 1 states that his complaint has been ratified by the new Board on 1—7—27, Ex P 10 by the share holders on 10—10—27. From these circumstances it becomes apparant that the Board considered the case as one of civil liability and that they subsequently accepted the accused's explanation by debiting the balance to the Firm. P. W. 1 has merely raked up a settled fact, of his own accord and without the support of the Board, and ratification of his act by a New Board does not affect the merits of the case. No question of conversion or appropriation of money by the accused arises in the circumstances and I hold that no case against the accused is made out under section 409 I. P. C. I accordingly discharge the accused under section 253 C. P. C.

Pronounced in open court.

Sd. B. NARAYANASAMI IYENGAR,
City Magistrate.

IN THE COURT OF THE DISTRICT MAGISTRATE, MYSORE

Revision "Petition" of 27—82.

Petitioner:—S. Gangaraju, son of S. Sarraju, aged about 32, Vaisya by caste, Managing Director of the Mysore Agricultural Dairy Farm Co. Ltd., Railway Station Road, Mysore.

Vs.

Opponent:—K. Ramanna son of—Brahmin, aged about 45, Ex-Managing Agent of the Mysore Agricultural Dairy Farm Co., Ltd., residing in Budugunta Ramasetty's Choultry, Doddapet, Mysore.

Under section 435 of the Criminal Proceedure Code, the petitioner above named begs to apply for the revision of the order of discharge passed by the City Magistrate, Mysore, in C.C. 578 of 26—27, dated the 28th November 1927 and to state as follows:—

I. The lower court erred in coming to the conclusion that the case is one of a Civil nature merely on the *obsidixt* of P. W. 2 that the Board considered it as such though such a statement is not supported by facts.

II. While P. W. 2 admits that the opponent was responsible for Cash and accounts that he had a cash balance of Rs. 641 and odd on hand and yet did not account for it, i.e., in other words that the opponent had misappropriated this sum, yet opines that the case is of a civil nature and the lower court relying on this inconsistant and contradictory statement of P. W. 2 has wrongly discharged the opponent.

III. The position of a Managing Director with the extensive authority vested in him is analogous to that of a trusty, whose duty it is to safeguard the interests of the shareholders. A perusal of the terms of the agreement between the petitioner and the Board would have convinced the court, beyond all doubt, that the former is clothed with authority to do, on his own initiative, such acts as he considers necessary for the proper management of the business of the company and discharge of his duties and omission to do any such necessary act would make the petitioner personally resposible.

IV. The proposition of lodging a complaint against the present opponent was before the Board since March 27, but owing to adjournments of the meting brought about by some of the interested Directors on the Board, this proposition and Agenda could not be discussed during the regime of the old Board which ceased to exist from 15—6—27.

V. The Lower Court failed to recognise that the ratification of the act of the petitioner in lodging the complaint, by the new Board as well as by the General Body of share holders by an unanimous resolution, ratifies the whole transaction and the lower court is wrong in holding that the petitioner had no authority to do this act.

VI. Even though there were sufficient materials to make out a *primafaci* case against the opponent, the learned magistrate has failed to appreciate them and come to a correct conclusion.

VII. The learned magistrate was wrong in losing sight of the main issue i.e., whether the opponent had committed the offence or not, but only addressing himself to the side issues, which have influenced his judgement.

VIII. The Judgement of the Lower Court is otherwise opposed to law, facts and probabilities of the case.

IX. The petitioner therefore humbly prays that this Honourable Court may be pleased to revise the order of discharge of the Lower Court and remand the case with direction that the opponent may be charged and the case proceeded with.

MYSORE, dated 14—12—1927.

## APPENDIX M

### Mr. V. K. Lakshmana Mudaliar's Personal account, Dr.—Rs 3,536 5-17 on 31—3—27.

| Date | Particulars | | Debit Rs. A. P. | Credit | Remarks |
|---|---|---|---|---|---|
| 1924 | | | | | |
| August 6 | To Cash | ... | 30 0 0 | | |
| 7 | „ | ... | 10 0 0 | | |
| 23 | „ | through Narasimmiah | 25 0 0 | | |
| Decr. 18 | To Cash | ... | 15 0 0 | | |
| 20 | „ | „ (T. N. L. Chetty) | 15 0 0 | | |
| ... | To Cash | ... | 1,205 5 0 | | |
| | | | 1,300 5 5 | | |

The above amount is analysed as follows, as per Mr V. K. L. Mudaliar's statement of account—

| | | | |
|---|---|---|---|
| | Difference between Rs. 1,000 shown as received by Mr. V. K. L for preliminary expenses from five Directors and that passed by the Board ... | 196 8 0 | Items charged in the Preliminary Expense statement, but disallowed by the Board for want of provision, in the articles of association. |
| | Payments to H. N. Row ... | 20 0 0 | |
| | „ T. N. L. Chetty ... | 140 0 0 | |
| | „ K. Ramanna ... | 75 0 0 | |
| | „ V. K. L. Mudaliar ... (Remuneration as promoter) | 597 0 0 | |
| | Out of Rs. 100 said to have been received from K. V. Gundu Row, Rs. 29-12-0 is debited in the cash-book on 20—12—1924, the balance remaining unaccounted for ... | 70 4 0 | |
| | Unspent balance of Rs. 125 with Mr. Mudaliar after paying Rs. 36-4-0 towards L. S. C. forms work debited to contingencies on 20—12—24) ... | 88 12 0 | |
| | Cash with Krishnaswamy ... | 0 13 5 | |
| August 6th and 7th | Mr. B. N. Iyengar on Mr. V. K. L. Mudaliar's account ... | 40 0 0 | |
| Decr. 18th & 20th | Paid to V. K. L. Mudaliar for harvesting charges ... | 30 0 0 | |
| 23rd August 1924 | Paid to N. Narasimmiah on account of V. K. L. Mudaliar ... | 25 0 0 | |
| | Bill of Harrison Press ... | 20 0 0 | Since admitted |
| | | 1,303 5 5 | |
| | Deduct amount said to have been withdrawn, but details not forth coming | 3 0 0 | |
| | | 1,300 5 5 | |

| Date. | Particulars. | Debit. Rs. A. P. | Credit. | Remarks. |
|---|---|---|---|---|
| 1927 March 26 | To Cash ... | 50 0 0 | | |
| | To Transfer from Preliminary expenses account ... | 571 12 0 | | |
| | Do from agricultual opcrations ... | 76 7 9 | | |
| | To Petty Cash payments ... | 38 5 0 | | |
| | Do ... | 51 10 0 | | |
| | To transfer from S. N. L. Chetty's account ... | 125 8 0 | | |
| | To advance of Seigniorage Commission ... | 85 0 0 | | Out of this, Rs. 10 relates to H S. Nanjunda Row |
| | To lease advance ... | 720 0 0 | | |
| | To transfer from Loan account.. | 775 0 0 | | |
| | Transfer from Dairy account ... | 142 2 1 | | |
| | By Harrison's bill since admitted | ... | 20 0 0 | |
| | „ By cash credits ... | ... | 31 12 5 | |
| | „ ... | ... | 46 1 0 | |
| | „ ... | ... | 53 7 0 | |
| | „ Sitting charges ... | ... | 166 0 0 | |
| | „ Travelling allowance ... | ... | 0 8 0 | |
| | Transfer of Security Deposit of Shankar Lal | ... | 82 0 0 | |
| | Total ... | 3,936 2 3 | 399 12 5 | |
| | By balance ... | ... | 3,536 5 10 | |

## APPENDIX N

To

P. S. Mysore

Sir,

I came to be informed that the petition addressed to H'ble B. R. has forwarded to you for inspection and the due actions on the matters of the Mysore Ag. D. F. Coy. Now, I beg to bring some more points worthy of your notice, which please oblige to inspect for the welfare of us the subjects of His Gracious Highness the Maharaja of Mysore.

I. R. S. Deshaponde.

II. Sanction of Rs. 5,000 loan by the Organising Committee even in the primary stage of the Coy's floatation without tangible security without the sanction of board of Directors against the rule in the prospectus of the Cy. Agricultural. Loans I(b)

III. The silence of the Directors or the Managing Authority regarding the misappropriation of the amount by one Narasimha Moorthy in Nanjangud Taluk.

IV. The misrepresentation of the company in some places of Mangalore. Dist. the complaint of which comes daily.

V. The refusal of the payments by the Directors due to the company and yet remaining in the roll of Directors against rules in the articles of association, Para 98(b)

VI. I further stand from reliable sources that the present Managing Director has brought to the notice of Board of Directors several serious irregularities and even framed charges against the Managing Agents for misappropriation of property, fund, falsification of accounts and recommended can-

cellation of Managing Agent's agreement and prosecution against Managing. But it appears that the Directors have debited certain amounts to Managing Agent's firm without tangible security or for sight for recovery and thus shirking of responsibilities. No action seems to have been taken by the Directors in the matter till now. Unless the authorities concerned interfere immediately there is no salvation to the shareholders.

Note (Para VI in red ink is in the handwriting of Mr. Gangaraju)

21—2—28 "True copy"

Sd. M. K. SAMPATHKUMARAN.

This draft is to Mr. Gangaraju's dictatien in black. The red ink portion being in his own writing, as stated above. On the basis of this draft, I sent a different letter to the superintendent of Police in Mysore.

Sd. M. K SAMPATHKUMARAN.

21—2—28.

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## APPENDIX O

The explanation given by the Managing Director in answer to the charges of Mr. V. K. L. Mudaliar seem to be sane and satisfactory. In the teeth of the said explanation, the charges of Mr. Mudaliar are groundless, and it reminds me of his peculiar nature of picking up quarrels with every one, who does not dance to his tunes, whether he happens to be a partner or a Managing Director, with the result that there would be plenty of unpleasantness not only between the aforesaid persons but among the Directors also.

Again Mr. Mudaliar's letter dated 19—4—27 addressed to the Chairman betrays his tendency to bring forward groundless charges, as can very well be seen by the Managing Director's, reasons re: the time taken for furnishing his explanation. Further the charges No 13 and 14, as can very well be seen, are written in ink and comparing the copy forwarded on 26—3—27 to the Managing Director, with the present one it shows that these charges are later insertions, for which Mr. Mudaliar deserves to be dealt severely. The said action reflects greatly on his character, seeing that he, as Managing Agent, happens to hold a position of great confidence and trust. Considering the terms of the Managing Director's agreement and the fact that he is not a debtor to the company, I cannot concur with Mr. A. J. Ram. re: the stoppage of his salary. The board must impartially view and judge things, disregarding personal or vested interests. Considering the fact that Mr. V. K. L. Madaliar has submitted some false bills to the company and has dared to make a false statement in his adjustment report that the Dairy animals (buffaloes) were grazing since October 1925, when the company owned no animals, and considering the fact that when he is debtor to the company a huge extent he says he is not he does not deserve to continue to be the managing agent and his agreement has to be cancelled for the foregoing fraud committed on the company. So long as Mr. V. K. L. Mudaliar continues, in my opinion, to be the Managing Agent of the company, there would be no salvation either to be Company or to the Directors. Lastly after my resignation, the question whether there is the firm of V. K. L. & Co., has to be considered and decided and the said question may be referred to an advocate or a solicitor apart from the company's legal adviser.

19—4—27 Sd. S. SUNDARA RAO,

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## APPENDIX P

## NOTICE.

The following Notice is given in reply to a Notice published by Messrs. V. K. Lakshmana Mudaliar & Co., as Managing Agents of the Mysore Agricultural Dairy Farm Co., Ltd., Mysore, in daily "Hindu," dated 30—8—27.

The share-holders in their extraordinary General Meeting held on 15th June, '27, removed Messrs. V. K. Lakshmana Mudaliar & Co., from the Managing Agency by cancellation of their agreement and dissolved the Board of Directors by constituting a fresh Board of Directors and ratified the appointment of Managing Director made by the Board of Directors in their meeting held on 14—11—26. Hence, the ex-Directors and Mr. V. K. L. Lakshmana Mudaliar, sole Proprietor of Messrs. V. K. Lakshmana Mudaliar & Co., have no connection with the management and affairs of the Company after the date of extraordinary General Meeting, i. e., 15—6—27, and their actions representing themselves as Directors and Managing Agents on 23rd June 1927, and afterwards as stated in the Notice are *ultra vires*. The allegations made against the Managing Director are therefore not true and cannot be substantiated with facts and figures. As such, the Notice given by Messrs. V. K. Lakshmana Mudaliar & Co., as Managing Agents of the Mysore Agricultural Dairy Farm Co., Ltd., Mysore, in "The Hindu," dated 30—8—27, is not based on real acts and is simply misleading and not binding on the Directors, Managing Director, Share-holders Livestock Certificate-holders, Company's workers and Bankers in any way.

For the Mysore Agricultural Dairy Farm Company Ltd.,

Sd. S. GANGARAJU,

Mysore, dated 2—9—27. Managing Director.

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## APPENDIX Q

Consolidated Profit and Loss account of the Mysore. Agricultural Dairy Farm Co Ltd, Bangalore from Commencement to end of March 1928. (Preliminary).

| Losses | Actuals: To end of December 25 | Actuals: From 1—1—26 to 31—3—27 | Actuals: Total | Preliminary figures for 27—28 | Total | Profits | Actuals: To end of December 25 | Actuals: From 1—1—26 to 31—3—27 | Actuals: Total | Preliminary figures for 1927—28 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| To Salaries ... | 7,758 | 3,309 | 11,067 | 3,650 | 14,717 | By Trading account ... | 705 | 61 | 766 | ... | 766 |
| „ Managing agent's allowance ... | 2,806 | 3,000 | 5,806 | 900 | 6,706 | „ Premium on L. S. Regn. ... | 6,877 | 2,113 | 8 990 | 22,202 | 31,192 |
| „ Sitting charges ... | 1,411 | 746 | 2,157 | 30 | 2,187 | „ Certificate fee ... | 231 | 9 | 240 | 2,330 | 2,570 |
| „ Appointing charges ... | ... | 4,767 | 4,767 | ... | 4,767 | „ Interest ... | 137 | 885 | 1,022 | 11 | 1 033 |
| „ Remuneration to Agents ... | ... | 5,454 | 5,454 | 2,7433 | 32,887 | „ Rent ... | 67 | ... | 67 | ... | 67 |
| „ Travelling allowances ... | 567 | 410 | 977 | 1,053 | 2,030 | „ Premium renewals ... | ... | ... | ... | 112 | 112 |
| „ Audit and Investigation fees ... | 150 | 338 | 483 | 400 | 888 | „ Company fee do. ... | ... | 1 | 1 | 25 | 26 |
| „ Commission on L. S. Regn. ... | 82 | 317 | 399 | 1,448 | 1,847 | „ Forfeiture of Security Deposits | ... | 5,196 | 5,196 | 9,220 | 14,406 |
| „ Rent and Contingencies ... | 2,146 | 858 | 3,004 | 916 | 3,920 | „ Other items ... | 47 | 1,202 | 1,249 | 23 | 1,272 |
| „ Postage ... | 617 | 485 | 1,102 | 773 | 1,875 | „ Net Loss ... | 19,291 | 13,332 | 23 623 | 6,185 | 29,808 |
| „ Stationery, Printing & Advertisements. | 1,343 | 1,632 | 2,975 | 1,855 | 4,830 | | | | | | |
| „ Legal Charges ... | 181 | 150 | 331 | 563 | 894 | | | | | | |
| „ L. S. Death claims ... | ... | 163 | 163 | 187 | 350 | | | | | | |
| „ Interest Paid ... | 152 | ... | 152 | 41 | 193 | | | | | | |
| „ Depreciation charges ... | ... | 132 | 132 | 566 | 698 | | | | | | |
| „ Other items ... | 1,142 | 1,038 | 2,180 | 283 | 2,463 | | | | | | |
| Total ... | 18,355 | 22,799 | 41,154 | 40,098 | 81,252 | Total ... | 18,355 | 22,799 | 41,154 | 40,098 | 81,252 |

## APPENDIX T

| Name of Range. | Jurisdiction. | No. of Org. Inspectors Salary, Rs. 150 pics 125. | No. of Supervisors at Rs. 50 plus 25. | No. of Sub-Agents on Commission. |
|---|---|---|---|---|
| Vizianagram. | Vizag & Ganjam. | 1 | 15 | ... |
| Amalapuram. | East & West Godavary. | 1 | 9 | , |
| Bezwada. | Guntur & Kistna Districts. | 1 | 12 | 15 |
| Nellore. | Nellore Dt. | 1 | 5 | 6 |
| Ranipet. | Madras, Chengalpet, Chittoor & N. Arcot. | 1 | 6 | 13 |
| Chidambaram. | S. Arcot, Tanjore, Trichy, Dts., Pudukotta & Pondicherry. | 1 | 12 | 153. |
| Virudhunagar. | Madura, Ramnad & Tinnavelly. | 1 | 10 | 36 |
| Kottayam. | Cochin & Travancore States. | 1 | 2 | 22 |
| Ernakolam. | South Malabar. | 1 | 1 | ... |
| Coimbatore. | Salem, Coimbatore & Nilgiries. | 1 | 6 | 15 |
| Koppa (Kadur) | Kadur, Shimoga & Chitaldurg. | 1 | ... | ... |
| Nandyal. | Cuddapah, Kurnool, Bellary & Anantapur. | 1 | 6 | 12 |
| Mercara. | Coorg, South Kanara & N. Malabar. | 1 | 7 | 4 |
| Mymensingh. | Mymensingh, Backergunj, and Fardpur | 1 | 11 | ... |
| Asansol. | Nadia, Burdwan & Hughly. | 1 | 4 | 1 |
| Dacca. | Dacca, Tippera, & Naokali | 1 | 7 | 1 |
| | Total. ... | 16 | 113 | 284 |

One Branch Secretary for Behar, Orissa, Assam & United Provinces.

GOVERNMENT OF MYSORE.

D 13413

GE 12 .

DEVELOPMENT BRAN

IN REPLY PLEASE REFER TO
NO. C.344/30-31
ENCL. —

Office of the Registrar of Joint Stock Companies
in Mysore.

*Dated, Bangalore....* 11th *March* ...*193*2.

DEVELOPMENT SEC
11 MAR. 19

D. Srinivasa Iyengar, Esq., B.A., J.S. 13-30-11
~~S.SRINIVASAIYENGAR, ESQ., B.A.,~~
*Registrar of Joint Stock Companies in Mysore.*

To

12/3

B. T. Keshavaiengar, Esq., B.A.,
Secretary to the Government
of His Highness the Maharaja of Mysore,
Development Department,
Bangalore.

Sir,

In continuation of this office letter No. C.344/30-31 dated 9th December 1931, I have the honour to state that Mr. A. Ranganadham Chetty, Advocate and Liquidator of the Mysore Agricultural Dairy Farm Co., Ltd., Madras, who was requested to send a statement of his account as required by Section 244 of the Mysore Companies Regulation, has replied that the said company was under voluntary liquidation only up to 22nd October 1931, when it was ordered to be wound up by the High Court at Madras under Section 271 of the Indian Companies Act VII of 1913, and that he is under the impression that the voluntary winding up not having continued for a period of 12 months, Section 244 of the said Regulation has no application and has requested me to let him know my view of the matter.

2. As it is stated that the Company has been ordered to be wound up under Section 271 of the Indian Companies Act, it is clear that it has been ordered to be wound up as an unregistered company. As it has been under voluntary liquidation under the Mysore Companies Regulation, the winding up under the orders of the Madras High Court has to be held only as ancillary to the voluntary liquidation as per decision in "Commercial Bank of South Australia (1886) 36 Ch.D.74" and that Section

244 is applicable to the Company and that the statement of account required by it should be filed. I request to be informed if this view of the matter is correct, so that a reply may be given to the Official Liquidator.

I have the honour to be,

Sir,

Your most obedient servant,

D Srinivasa Iyengar

SL. REGISTRAR.

Appendix F G—1]

SUBJECT .....

.....

.....

Section J.S.

File No. 13-30

Serial No. 12

*Diary No. of letter replied to* .....

No. D 4994

To

The Regr. of J.S. Co

Sir,

With reference to your letter no.

C. 344/30-31 dt. 11.3.32 requesting

he informed

if your view that Sec 244 of the Mysore

Companies Regulation is applicable

in regard to the winding up proceed

of the Mysore Agl. Dairy Farm, I

to correct,

am directed to state that since

the Mysore Agl Dairy Farm Co Ltd

is a Company registered under the

Mysore Companies Regn, its winding

up under Sec 271 of the Indian

Companies Act in Madras Cann

Conclude the voluntary winding

up commenced in Mysore, and

that for the purposes of Sec 244 of

General and Revenue Secretariat

( )

*the* *193*

Date of issue 5-4-32

Signed by Asst Secy

List of enclosures .....

Copied by .....

Examined by .....

WD 71—GBPM—40,000—20-7-31.

Reports Ordinance Regn, it can be
Contended that the voluntary winding
up is still pending & that the liquidator
is consequently liable to furnish the
information prescribed.

[Since, however, the liquidator
in this Case is outside the State's
jurisdiction, it is doubtful how far
the liability can be enforced. It is
hoped that this difficulty will not arise
as the Liquidator in Madras, in
asking for your views as to the
interpretation of the Section, appears
to be willing to Comply with its provisions.]

Thanks

11/4/32

Mr Dev. Secy

[ ]

May perhaps
be omitted
Sec
1/11/4